

The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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Professional Notes.

In another column is published a letter from the President of the Society of Incorporated Accountants and Auditors referring to the decision of the Council to establish a Memorial to Sir James Martin. The work of Sir James influenced the policy of the Society in many directions, but it can be said with confidence that the professional education of candidates for the Society and the development of the Incorporated Accountants' Benevolent Fund were dominant inspirations in his activities. To commemorate in a permanent way the name of Sir James Martin and the affection in which he was held, the Council desire to give expression to his known wishes in these two directions. Before his death, Sir James had under con-

sideration the establishment of exhibitions to be awarded to candidates of ability. The Council have therefore decided to found two "Sir James Martin Memorial" Exhibitions of the value of £50 each. The Exhibitions will be awarded every year to two Intermediate candidates who show exceptional merit in the examinations, and the Exhibitions will be furnished from the Society's resources.

In addition it was felt that all the members of the Society would desire to raise, by a voluntary effort, some permanent memorial to Sir James. The Council are therefore making an appeal to all Incorporated Accountants to contribute to a Memorial Fund bearing his name. When subscribed the money will be handed over to the Trustees of the Incorporated Accountants' Benevolent Fund as a permanent endowment. The investment will be held intact by the Trustees of that Fund and will be entitled "The Sir James Martin Memorial Fund." The income will be utilised to extend the work of the Benevolent Fund in meeting the needs of less fortunate members of the Society and of widows of deceased members and to provide for the education of their children.

We feel sure there will be a wide and generous response to the appeal. Mr. Henry J. Burgess, the chairman of the Trustees of the Benevolent Fund, has agreed to act as Honorary Treasurer, and contributions should be sent to him at Incorporated Accountants' Hall.

The resignation from the Council of the Society of Mr. Frederic Walmsley, by reason of advanced age, is recorded in the proceedings of the last Council meeting. Mr. Walmsley was one of the founders of the Society and an original member of the Council. He was Chairman of the Disciplinary Committee for a period of 21 years,

and at the time of his resignation was the senior Past-President: he occupied the Presidential chair from 1894 to 1898. At one time Mr. Walmsley was actively interested in municipal affairs, and was Chairman of the Finance Committee of the Corporation of Bolton, where he resided. His judicial sense and his sound judgment impressed themselves upon the Council, and frequently influenced their decisions. Mr. Walmsley has taken great pride in his long connection with the Society, and, although he was not able to be present at the fiftieth anniversary, he followed the celebrations with keen interest. To mark their appreciation of Mr. Walmsley's services the Council have asked him to accept the honorary membership of the Society. He thus becomes one of the six honorary members.

The Council have also accepted with regret the resignation of Mr. W. H. Payne, London, as a member of the Council on account of ill-health. Mr. Payne was elected a member of the Society in 1891, and for many years took an active interest in the London Students' Society, of the Committee of which he was a member in its early days. After holding for a considerable period the office of auditor of the Society, he rendered valuable service as a member of the Council for a period of ten years. He continues as Trustee of the Benevolent Fund.

The Institute of Municipal Treasurers and Accountants (Incorporated) will celebrate their fiftieth anniversary in the month of December. To mark the occasion a dinner is being given in Guildhall, London, by permission of the Lord Mayor and Corporation, on December 3rd, when H.R.H. The Duke of Kent will be the principal guest. The President of the Institute, Mr. F. W. Rattenbury, F.S.A.A., the County Accountant of Middlesex, will occupy the chair. The Council of the Society of Incorporated Accountants, in forwarding their congratulations to the Institute of Municipal Treasurers and Accountants, refer to the friendly relations which have existed between the two bodies during the last half-century.

Accountants acting in the capacity of Receivers should bear in mind the decision of Mr. Justice Farwell in the Chancery Division last month in relation to the affairs of *National Flying Services, Limited*, in which he decided that unless appointed with the sanction of the Court, agents who undertake at the request of a Receiver of a company to try and find a purchaser of property, have no legal right to payment of commission unless

the Court has sanctioned their employment, even although the efforts of the agent have been successful. The Receiver in this case was nevertheless authorised by his Lordship to pay the agent a substantial commission.

When a cheque is drawn "Pay Cash or Order" what does it mean? This was the question which Mr. Justice Branson had to decide last month in the case of *North and South Insurance Corporation, Limited v. National Provincial Bank, Limited*, a report of which will be found in another column. The print of the cheque was that suitable for a cheque payable to order, and the plaintiffs claimed that the bank which had cleared the cheque as a "bearer" cheque had no authority to debit them with the amount because the cheque was not endorsed, their contention being that the words "Pay Cash or Order" were equivalent to "Pay cash to me or my order," in which case endorsement was necessary. The defendants, on the other hand, contended that the cheque in the form in which it was drawn was payable to a fictitious payee, and therefore, under sect. 7 (3) of the Bills of Exchange Act, 1882, was a cheque payable to bearer.

In giving judgment, his Lordship said that in his view it was not a cheque at all, as under sect. 73 of the Bills of Exchange Act a cheque was a bill of exchange, and a bill of exchange was defined in sect. 3 as an unconditional order in writing to pay to or to the order of a specified person or bearer, and the word "cash" could not, in any view of the case, be said to be a specified person. Where a document was partly written and partly printed it had been held that if the printed and written parts were not consistent with one another the printed part must be rejected in favour of the written part. Here, the written word "cash" was impersonal; "cash" could not endorse. He must therefore neglect the words "or order" and treat the document as a good direction to pay bearer. The action therefore failed, and judgment was given for the defendants.

A legal point of considerable importance in relation to arbitration proceedings was decided in the Mayor's and City of London Court in the case of *Vigers Brothers, Limited, v. Lt.-Col. Allen*, Arbitrator and Valuer, in which a claim was made for damages on the ground of negligence to carry out specific instructions. The arbitrators were appointed by a submission which authorised them to appoint an umpire before proceeding with the hearing, and at the arbitration

the parties were represented by the arbitrators only. The dispute arose on a claim for loss of profit, and Col. Allen was instructed by the plaintiffs to ask for the award in the arbitration in the form of a special case.

It was argued on behalf of the plaintiffs that from the moment the umpire was appointed the defendant became plaintiffs' agent and was bound to carry out his admitted specific instructions to ask for a special case. It was admitted by counsel on both sides that there was no direct authority on the point. Col. Allen stated that he was quite conscious of the instructions, but felt that he had a discretion, and did not think any point of law was involved or that the circumstances justified the extra cost of a special case. After reviewing the various decided cases bearing on the matter the Judge said he came to the conclusion that the defendant remained an arbitrator throughout the proceedings down to the time of the award, and that the conduct complained of did not give rise to any cause of action. The Court was not justified in saying that an arbitrator once appointed as such, ceased to be an arbitrator and became a mere agent for his appointer, with no discretion himself, as soon as an umpire was nominated.

An interesting question has been settled in relation to hire-purchase agreements. Under one of these agreements the owners were entitled "by written notice sent by post or otherwise" to the hirer's last known address to terminate the hiring at any time if the hire rent was seven days in arrear. This circumstance occurred, and the notice in question was posted, but before it reached its destination the landlord had distrained on the goods for arrears of rent. The question thereupon arose whether the notice took effect from the time it was put in the post or the time when it reached its destination.

In delivering judgment, Mr. Justice Porter said he could not speculate with regard to the time it would take a letter to reach its destination by post, and he accordingly considered the words "sent by post" as meaning that at the moment when the letter was put in the post the whole agreement came to an end. The defendants had relied on the case of *Browne v. Black*, in which it was held that a solicitor's bill had not been "sent by the post" within the meaning of sect. 37 of the Solicitors' Act 1843 until the lapse of such time as would in the ordinary course of post permit it to be delivered, but his Lordship said that in that case the circumstances were different as the recipients were

entitled to receive the notice in order that they might have time to do a particular act, whereas in the case now before him the object of the notice was to enable the owner to protect himself. The case was *Drages Limited v. Owen and Another*.

A further development has taken place in connection with the business of Fixed Trusts. The new idea is announced in the formation of First Protected Fixed Trust, which was brought out last month. The distinctive feature of this Trust, which emanates from Manchester, is the introduction of insurance against depreciation by the creation of a sinking fund with an insurance company to accumulate throughout a twenty-year period. The basis of the sinking fund will be an addition of 2s. to the price of each sub-unit, and at the end of the trust period the provision thus made will be equivalent to about 15 per cent. of the sub-unit.

Part II of the Report of the Chief Registrar of Friendly Societies deals with the returns and valuations relating to the voluntary business transacted by these Societies, but does not include National Health Insurance transactions. Collecting Societies are also excluded as they are dealt with by the Registrar in his Report as Industrial Assurance Commissioner. The number of friendly societies and branches on the register at the beginning of 1934 in England, Wales and Scotland was 28,265. During the year 119 were added and 369 removed by reason of amalgamation, dissolution and other causes, leaving 28,015 on the Register at the end of the year.

The defalcations sustained by registered Friendly Societies and branches which came to the Registrar's notice during 1934 amounted approximately to £21,000. Commenting on this and on the subject of audits generally, the Chief Registrar says: "The number of unsatisfactory audits by lay auditors continues to be considerable. It is not always realised, as it should be, that the worst evil arising from incompetent audit work is not the failure to detect defalcations that have already occurred. Investigations of defalcation cases make it very clear that in some of the worst cases the defaulters were influenced by the knowledge that the audit of their accounts was unlikely to be efficiently performed. This immunity from proper check undoubtedly is in itself a temptation. Those who urge that efficient audits would cost more than the present ones should remember that a very large part, if not all, of the increased cost to societies as a whole would be offset by the reduced cost of defaults."

A contributor to the *Law Times*, discussing the various methods which are available for enforcing judgments of the Courts, points out that the provisions which apply to County Courts, whereby unpaid judgments over £10 are publicly registered, do not similarly apply in the case of judgments of the High Court. The fear of registration which is often a very effective lever in obtaining satisfaction of the judgment is therefore absent, and it is not understood why such a distinction should exist.

According to the Annual Report of the National Savings Committee, the grand total of certificates issued since 1916 numbers 1,280,015,750, the cash value being £1,009,485,609. There were nearly 40,000,000 certificates sold during the past year of a cash value of about £32,000,000. This compares with 46,000,000 certificates in the previous year of a cash value of £37,000,000. At the end of February the amount of principal remaining invested was £398,000,000, the highest figure ever recorded.

Sir Josiah Stamp, lecturing to the British Science Guild on the subject of "The Calculus of Plenty," said that articles and speeches on all sides pivoted and pirouetted on the phrase "poverty in the midst of plenty," and gave examples to show that the general references to "plenty" in its journalistic and platform use covered a wide range of different circumstances to which very different economic principles, consequences and causes were attached. If they were constantly lumped together in that way, he said, there could be no clear thinking about the problems suggested, but only rhetorical and unprofitable, though seemingly intelligent, discussion without any rudder or compass. Concluding, he said the dictum of Lord Kelvin could not be too often repeated that "we never know much about anything until we have contrived to measure it."

SHARES TAKEN IN WRONG NAME

MEMBERSHIP of a company is defined by sect. 25 of the Companies Act, 1929, which enacts that the subscribers of a company's Memorandum shall be deemed to have agreed to become members of the company, and on its registration are to be entered as such in its register. As regards others, every person who agrees to become a member of a company, and whose name is entered in its register of members, shall be a member of the company.

If A applies for shares in a fictitious name and is allotted them, he will be held liable as a member

in respect thereof and his real name may be entered on the register. Where an application is sent in the name of another, *e.g.* an infant, the case is the same as if the application were made in a false or fictitious name, and the applicant himself may be put on the list of contributories, but to constitute liability in such a case there must be a contract, and there can be no contract where there is no intention of contracting, *e.g.* where there is a mistake on the applicant's part as to the company's identity.

There are several leading cases on this subject. In *Pugh & Sharman's* case (1872), S, who was a large shareholder in a company, wished to take more shares, but the directors refused to allow his name to appear for any larger number. He then, at the suggestion of the secretary, and with the concurrence of a local agent of the company, sent in an application for shares signed by his daughter P, a married woman residing elsewhere. Her status was not stated in the application, and the father's residence was given. The deposits on application and allotment were paid by S, and he received the notice of allotment and a dividend which was paid, and all the notices relating to the company, which were posted to P at his address. P signed the application without being informed or knowing what it was, and never told her husband anything about it, and neither of them knew she was on the list till an application was made by the liquidator. It was held that the case was similar to that of an application for shares in the name of a fictitious person, and that the name of S must be substituted for P in the list of contributories. An application for shares in a false name puts a man in the same position as regards liability as a transfer into a false name.

This decision was followed in *In re Central Klondyke Gold Mining Company* (1899). S, who was a director of a company, applied for shares therein on an application form which he signed with another name used by him when carrying on a business. He paid the application moneys with a cheque signed in his own name. Subsequently the company was wound up, and S absconded and was adjudicated a bankrupt. The liquidator put the trustee in bankruptcy on the list of contributories in respect of the shares. The trustee applied to have his name removed on the ground that, even if the signature to the application form was that of a fictitious person, there was no contract by S to take the shares. It was held that it must be taken that S had intended to obtain the shares himself, and therefore his estate was liable to contribute.

The next case which must be noticed is that of *Re Massey & Giffin* (1907), where a company

was wound up voluntarily in 1893. S was the registered holder of 20 shares, which in April, 1924, he transferred to L. The liquidator sanctioned the transfer and entered the name of L as holder of the shares in the register. In May, 1894, L transferred the shares, with the sanction of the liquidator, to D, who after a time was registered as the holder of the shares. The shares were part of a batch of shares purchased from S by stockbrokers on the market with a view to a re-sale, and L, who was their nominee, was a clerk in their employment, and was an infant at the times of the transfers to and by him. D was also an infant when he became transferee, and this fact was known to the liquidator in 1896, if not earlier. In 1906, after calls had been made on the shares, but not paid, the liquidator applied that the names of the stockbrokers might be substituted for that of D in the register of members and the list of contributories. It was held that, as there was no contractual relation, in respect of the shares, between the company and the stockbrokers, they could not be placed on the register or list.

The facts in *Re London, Bombay and Mediterranean Bank* (1881) were somewhat different. A shareholder took 200 shares in the name of his wife without her knowledge, the name being entered on the register as "M, the wife of S." S died shortly afterwards, and the name of M was placed upon the "A" list of contributories in respect of 60 shares, and upon the "B" list in respect of 140 shares. M had no separate estate. The liquidator applied to have the "B" list rectified by placing thereon the names of S's executors instead of the name of M. It was held that the company, having accepted the wife as a shareholder without any misrepresentation or concealment on the part of the husband, his estate was not liable, and the company were not entitled to any rectification of the list.

Both this last case and *Massey & Giffin's* case may be regarded as two of the three exceptions to the principle which emerges from *Pugh's* case (*supra*). The third exception is *Coventry's* case (1890). C sent to the directors of a company an application, signed by him "for" his son, naming him, for the allotment of 200 shares. C was himself one of the directors, and the application was made under an arrangement between the directors that, in order to make it appear that the whole of the share capital had been issued, the shares remaining unallotted should be issued to their nominees temporarily until applied for by the public, there being no intention that either the directors or their nominees should be under any liability in respect of such shares. Accordingly the son was registered

as the holder of the shares. The son was totally unaware of the application or of the registration of the shares in his name. Nothing was ever paid on the shares, either by way of deposit, dividend or otherwise, and no certificate of allotment was ever issued. Subsequently the company was wound up voluntarily, and, both C and his son having died, the son never having in any way recognised his position as shareholder, the liquidator placed C's executors upon the list of contributories in respect of the shares. It was held that, although C and his co-directors might have rendered themselves jointly and severally liable on the ground of fraud, yet the facts did not establish such an actual contract by C to take the shares as to justify his executors being placed on the list of contributories in respect of it.

In *Richardson's* case (1875), R purchased shares in a company, and paid for them, but took a receipt and signed the transfer deed in the name of his son, and the shares were registered in the name of the son, who was a minor. Upon the company being wound up the name of the son was placed on the list of contributories. It was held that the register of members and list of contributories must be rectified by substituting the name of R for that of the son on both.

In each of the cases noted the consideration of all facts is essential in order to ascertain the principles governing them.

THE HEALTH INSURANCE AND CONTRIBUTORY PENSIONS ACT.

(CONTRIBUTED).

THE Health Insurance and Contributory Pensions Act, 1935, which operates in its entirety on January 1st, 1936, introduces many new and amending provisions into the Health Insurance and Pensions scheme.

Duration of Insurance.—When a person ceases employment or the payment of contributions, his insurance does not immediately cease, he is continued in insurance, the same as with actual payments of contributions, for a period of from eighteen months to two years, called under the new Act the "free insurance period." This period ends on June 30th or December 31st, whichever precedes a period of two years, reckoned from the last week of employment (employed contributors) or the last stamp as assigned (voluntary contributors). If a person is ill at the start of this period, the two years mentioned do not start to apply until recovery has taken place; if a person is ill at the end of this free period, insurance is continued until June 30th or December 31st, whichever follows the date of recovery from the incapacity. This

"free insurance period" applies to both employed and voluntary contributors, and whether unemployment is proved or not. But under this Act, if an employed contributor, at the date when his free period starts, has registered ten years' insurance, he is kept in insurance free of contributions, year by year indefinitely during an "extended insurance period," and this applies to a person of any age. But throughout the period since leaving work (except when sick) he must prove that he has been available for, but unable to obtain employment. Every week of the first or extended free insurance period need not be accounted for, however, as an unemployment week; in the "free insurance period" proof of all but twelve weeks is sufficient, and for any year of an "extended free insurance period" all but seven weeks each year meets the rule. Work to that extent would not lose title to these free insurance and extended insurance privileges.

Further, it should be borne in mind that if a person resumes work and again becomes unemployed in the "free insurance period," and the period of work totals at least eight contribution weeks a new "free insurance period" commences to run all over again. These contributions can be registered in any two consecutive half years, but they must be following the half year in which the person first ceased work; contributions in that half year will not count for this eight contribution weeks rule. This re-qualification for a further "free insurance period" does not apply to anyone in an "extended insurance period." There a person must prove 26 contribution weeks and 26 stamps before a new "free insurance period" recommences; these must be registered after the end of the first free period, but will count whether consecutive or not, provided they are registered within four consecutive half years.

During the "free insurance period," a person is entitled to all Health Insurance benefits (subject to arrears) and is insured for all purposes of the Pensions Acts. But no sickness or disablement benefits are payable in an "extended" year by year free period. Return to these benefits follows the fulfilment of the 26 contribution weeks rule, explained above. Persons in these extended periods, however, are entitled to medical and maternity benefit, and any "additional benefit" by way of treatment given by the particular society, and are insured for all pensions purposes. If a person cannot prove ten years' insurance at the relevant date, he is covered for pensions purposes for an additional year after the "free insurance period." Thus, if he reaches 65 years within a twelve

months period, following the end of the first period, he is entitled to Old Age Pension, and if he dies in the same period his widow will receive a widow's pension, providing, of course, he is also qualified under the ordinary pensions conditions.

Incapacity Notification.—The main Acts lay down that when a person falls sick he must inform his society, and also produce evidence of incapacity (e.g., a medical certificate), but as regards the latter obligation there has hitherto been no time limitation. Under this 1935 Act, if evidence is not produced within three months no benefit beyond that period will be payable. But a society has discretion to accept a reasonable excuse for not producing evidence earlier, and where this occurs the three months may be allowed to commence to run from the end of the period of grace covered by the excuse. If, however, the society is not satisfied with the excuse, only the benefit accruing within the three months before the date of production of evidence will be payable, and not from the actual date of incapacity.

Voluntary Contributors.—The old rules provided that if a voluntary contributor became insurably employed and did not in that employment register 104 weeks he could not legally re-enter voluntary insurance. The new Act alters this and provides that a former voluntary contributor can revert to voluntary insurance after a period of insurable work as above, regardless of the length of that insurable employment.

Contributions.—The 1925 Pensions Act provided for increases in contributions at the second and subsequent decennial financial periods. This Act now amends these provisions, primarily to prevent halfpennies being included in the rates. From January 6th, 1936, contributions will be as follows:—

Men: Employer 10d., employee 10d., a total of 1s. 8d.—an increase of 2d., the employee paying 1d. and the employer 1d. Rates will be similarly increased in 1946 and 1956.

Women: Employer 7d., employee 7d., a total of 1s. 2d.—an increase of 1d., to be borne by the employee. In 1946, there will be an increase of 1d., borne by the employer; in 1956 another 1d., borne by the employee.

Persons over 65: The rate in 1936 will be 10d. instead of 9d. for men; women 7d., no increase. In 1946 and 1956 further increases of 1d. for men; in 1946 for women there will be an increase of 1d., no increase in 1956. All these increases are to be borne by the employer.

For ordinary arrears, an employed contributor is now credited in full with all properly proved unemployment weeks, the same as actual payments; sickness periods also are similarly credited in full. A voluntary contributor is credited in full with all sickness weeks.

The "free" and "extended" insurance periods will apply to Deposit Contributors in the same way as to members of societies, with necessary differences; also whereas, unlike society members, such contributors have previously not been eligible for medical benefit after 65, the new Act gives power for the benefit to be continued the same as in the case of other insured persons.

SIR JAMES MARTIN MEMORIAL FUND.

To the Editors, *Incorporated Accountants' Journal*.

DEAR SIRs,—I am sure it is the wish of all Incorporated Accountants to establish a memorial to the late Sir James Martin, as a tribute to his work for the Society and to the affection in which he was held.

To record their appreciation of his sustained interest in the Society's educational policy, the Council have decided to found Exhibitions to be known as "The Sir James Martin Memorial Exhibitions." Two Exhibitions, each of a total value of £50, to be provided from the Society's funds, will be awarded each year to articled clerks who distinguish themselves in the Society's Intermediate Examination.

But all members of the Society will desire in addition to show by some voluntary contribution their sense of indebtedness for the benefit which each has derived from the work of Sir James Martin. Therefore, the Council have proposed that a permanent endowment be raised as part of the Incorporated Accountants' Benevolent Fund, to be known as the Sir James Martin Memorial Fund. I shall be glad if this may be made known through the columns of the *Incorporated Accountants' Journal*. The endowment will be transferred to the Trustees of the Benevolent Fund, and the income will be applied for the purposes of that Fund.

No part of the Society's organisation was dearer to the heart of Sir James than the Incorporated Accountants' Benevolent Fund, of which he was a founder. For many years he held the office of Hon. Secretary, and from 1923 to the time of his death was the President. The income of the Benevolent Fund is devoted to the assistance of members of the Society who are in need through ill-health or other cause, the relief of necessitous widows and the education of children of deceased members.

I feel that both the idea of a memorial to Sir James Martin and the particular form suggested will appeal to every member of the Society, and I earnestly ask that there may be a generous and widespread response.

A committee has been constituted to deal with this proposal, and Mr. Henry J. Burgess, the Chairman of the Benevolent Fund Trustees, has kindly promised to act as the Hon. Treasurer.

It is requested that contributions may be sent and made payable to the Honorary Treasurer, Sir James Martin Memorial Fund, at Incorporated Accountants' Hall. (Cheques should be crossed "Bank of England.") A communication has been sent to every member of the Society on the matter. The committee have already received a number of liberal promises of support, and it is hoped that each member will respond to ensure that the Fund shall be a fitting tribute to Sir James Martin, who for fifty years laboured unstintingly for the Society.

Yours faithfully,

R. WILSON BARTLETT,

President of the Society of
Incorporated Accountants
and Auditors.

November, 1935.

ACCOUNTANT MEMBERS OF PARLIAMENT.

The following are the results of the polls where accountants were elected:—

DARLINGTON.

C. U. Peat, F.C.A. (Unionist)	22,320
A. L. Shepherd (Lab.)	18,105
Majority	4,215

FAVERSHAM, KENT.

Adam Maitland, A.S.A.A. (Unionist) ..	22,881
H. N. Smith (Lab.)	19,060
Majority	3,821

HARWICH, ESSEX.

J. S. Holmes, F.C.A. (L. Nat.)	21,716
A. E. Appelbe (Lab.)	9,170
Majority	12,546

HENDON, MIDDLESEX.

Blair, Sir Reginald, C.A. (Unionist) ..	69,762
White, Mrs. A. B. (Lab.)	28,375
Goldstone, B. E. (Liberal)	7,920
Majority	41,387

LIVERPOOL (EDGE HILL).

A. Critchley, F.S.A.A. (Unionist) ..	13,882
J. H. Hayes (Lab.)	13,581
Majority	301

MANCHESTER (RUSHOLME).

E. A. Radford, F.C.A. (Unionist) ..	19,678
A. Knight (Lab.)	9,258
Dr. P. McDougall (Ind.)	2,525
Majority	10,420

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING

A meeting of the Council was held on Tuesday, November 19th. Present: Mr. R. Wilson Bartlett (President) in the chair, Mr. Walter Holman (Vice-President), Mr. A. Stuart Allen, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. Arthur Collins, Mr. R. T. Dunlop, Mr. Frederick Holliday, Sir Thomas Keens, Mr. Edmund Lund, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. James Paterson, Mr. W. Paynter, Mr. Percy Toothill, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary), and Mr. E. E. Edwards (Parliamentary Secretary).

Apologies for non-attendance were received from Mr. W. Allison Davies (Preston), Mr. D. E. Campbell (Wolverhampton), Mr. E. Cassleton Elliott (London), Mr. A. E. Piggott (Manchester), Mr. Alan Standing (Liverpool), Mr. E. W. C. Whittaker (Southampton), Mr. F. Woolley (Southampton), and Mr. J. R. W. Alexander.

ADDRESS OF CONGRATULATION TO THEIR ROYAL HIGHNESSES THE DUKE AND DUCHESS OF GLOUCESTER.

It was reported that an Address of Congratulation had been submitted on behalf of the President and Council of the Society on the occasion of the marriage of the Duke and Duchess of Gloucester.

MEMORIAL TO SIR JAMES MARTIN.

The Council adopted a report from a Special Committee appointed to consider the question of a Memorial to Sir James Martin. The report was as follows:—

- (a) That the Society establish two exhibitions to be known as the Sir James Martin Memorial Exhibitions of the value of £50 each, to be provided from the Society's funds and awarded every year to two Intermediate candidates who show exceptional merit in the examination. The candidates shall be not over 22 years of age and must be articled to Incorporated Accountants. Generally speaking, one exhibition will be awarded each half year, and the first exhibition will be available in connection with the Intermediate examination in May, 1936.
- (b) That an appeal be made to all Incorporated Accountants to contribute to a fund to be known as The Sir James Martin Memorial Fund. The fund when subscribed will be handed over to the Trustees of the Incorporated Accountants' Benevolent Fund, and earmarked in perpetuity as The Sir James Martin Memorial Fund, the income therefrom to be applied for the usual purposes of the Benevolent Fund.

Mr. H. J. Burgess was asked to act as the hon. treasurer.

INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS. FIFTIETH ANNIVERSARY.

The following resolution was adopted and ordered to be forwarded to the Institute of Municipal Treasurers and Accountants:—

That the cordial congratulations of the Society of Incorporated Accountants and Auditors be accorded to the Institute of Municipal Treasurers and Accountants (Incorporated) upon the fiftieth anniversary of the foundation of that body. The Council entertain a high regard for the influence of the Institute of Municipal Treasurers in the development of accountancy and finance in the sphere of local government and desire to acknowledge the co-operation of that Institute with the Society of Incorporated Accountants and

Auditors. The Council send their best wishes to the Institute of Municipal Treasurers and Accountants for its future progress and prosperity.

MR. FREDERIC WALMSLEY,

The Council received a communication from Mr. Frederic Walmsley, Manchester, resigning his seat on the Council on account of advanced age.

The following resolution was adopted:—

That the Council accept with much regret the resignation of Mr. Frederic Walmsley, senior Past-President, from his seat on the Council. The Council desire to record their high appreciation of the long and devoted services of Mr. Walmsley, who was an original member of the first Council of the Society, and of his valuable work in the capacity of chairman of the Disciplinary Committee from 1908 to 1929, President of the Society from 1894-1898, and in many other ways.

The Council further resolved that the Honorary Membership of the Society be conferred on Mr. Frederic Walmsley and that the Diploma of Honorary Member, duly signed and sealed, be forwarded to him.

The Council desired that their personal good wishes be conveyed to Mr. Walmsley.

MR. W. H. PAYNE.

The Council having received an intimation from Mr. William Henry Payne (Fellow, London) that on medical advice he felt obliged to resign his seat on the Council, it was resolved that the resignation of Mr. William Henry Payne from the Council of the Society be accepted with great regret. The Council tendered to Mr. Payne their cordial thanks for his valuable services to the Society both before and since his appointment to the Council on May 12th, 1925.

They also sent him their best wishes and expressed their hope that his health would rapidly improve.

INCORPORATED ACCOUNTANTS' COURSE, CAMBRIDGE, 1936.

An intimation was received that the Master and Fellows of Gonville and Caius College, Cambridge, had been good enough to grant the Society facilities for a course to be held at the College from July 1st to July 5th, 1936.

TRUSTEE OF THE SOCIETY.

Mr. E. Cassleton Elliott was appointed a trustee of the Society in place of the late Sir James Martin.

COUNCIL.

In accordance with the provisions of Article 48, Mr. Major James Faulks, M.A. (Cantab), Fellow in Public Practice, Messrs. W. H. Payne & Co., London, was appointed to fill the occasional vacancy on the Council caused by the resignation of Mr. W. H. Payne.

DEATHS.

The Secretary reported the deaths of the following members:—Mr. Frederick James Beaton (Fellow), Kimberley; Mr. Harry Oscar Bennett (Fellow), Norwich; Mr. James Donald Fergusson (Associate), Harrogate; Mr. Vivian Price (Associate), Birmingham; Mr. Frederick Henry Ollett (Associate), Paignton; Mr. Ebenezer John Webber (Fellow), London.

RESIGNATIONS.

The following resignations of membership were accepted as from December 31st, 1935:—Mr. Edgar Samuel Jenkins (Fellow), Hyde; Mr. James MacKelvie (Fellow), Somerset (previously of Cape Town); Mr. Alexander Wilson (Fellow), Johnstone.

Alderman John Potter, J.P., F.S.A.A., has been unanimously re-elected, for the eighth year in succession, chairman of the Finance Committee of the Corporation of Blackpool.

INCORPORATED ACCOUNTANTS' LODGE.

The Installation Meeting of the Incorporated Accountants' Lodge was held at Freemason's Hall, Great Queen Street, London, on October 22nd, when Bro. William James Crafter was installed in the chair by his predecessor, Bro. F. J. Nash. A large gathering assembled, including many personal friends of Bro. Crafter, and amongst those present were: Bro. J. Snow Huddleston, P.A.G.D.C.; Bro. A. H. Southam, P.A.G.St.B.; Bro. E. G. Evans, P.P.G.W., Herts; Bro. M. J. Faulks, P.A.G.D.C.; Bro. Richard A. Witty, P.G., St.B.; Bros. R. Wilson Bartlett, P.P.G.D.C., Mon., H. Bailey, C. E. Day, Neville Faulks, W. Lyall, A. R. Wagstaff, L. H. D. Jones, G. Palmer, H. Griffiths, A. E. Needham, E. C. Flavell, W. E. Alcock, J. A. White, L. H. Amsden, O. J. Dean, H. Eldon, A. Williams, J. H. Schofield, K. A. Whiting, H. A. Curd, E. C. Coleman, H. Cormacey, C. H. Pearman, D. Dunlop, W. Kendall, L. Locker, W. H. Payne, W. A. Pearman, W. C. Chaffey, H. J. Burgess, Sir Thomas Keens, A. V. Huson, F. E. Clements, M. Widdowson, A. A. Garrett, and Walter Holman.

DEATH OF BRO. SIR JAMES MARTIN, P.G.D.

Bro. Richard A. Witty referred in sympathetic terms to the loss suffered by the Lodge since the last meeting by the death of Bro. Sir James Martin, P.G.D., and recalled the great interest he had always taken in the work of the Lodge. The following resolution was passed in silence:—

"The Brethren of the Incorporated Accountants' Lodge desire to convey their sincerest sympathy to Lady Martin and her family in the great loss which they have sustained by the death of W. Bro. Sir James Martin, Past Grand Deacon of England. The brethren desire also to record their lasting appreciation of the great services rendered to the Lodge by the late W. Bro. Sir James Martin, and to assure Lady Martin that his memory will be revered for all time in the Lodge, of which he was a Founder and the first Worshipful Master."

Bro. Crafter appointed his officers as follows:—Bro. C. A. Holliday, S.W.; Bro. A. S. Darr, J.W.; Bro. W. H. Payne, L.R., Treasurer; Bro. M. J. Faulks, P.A.G.D.C., Secretary; Bro. Richard A. Witty, P.G.St.B., D.C.; Bro. C. A. Sales, S.D.; Bro. E. J. P. Garrett, J.D.; Bro. W. C. Chaffey, A.D.C.; Bro. H. J. Burgess, L.R., Almoner; Bro. Sir Thomas Keens, Assistant Secretary; Bro. Walter Holman, I.G.; Bros. A. A. Garrett, F. C. Baker, E. Baldry and H. W. Petherick, Stewards.

At the dinner in the evening the health of the Worshipful Master was proposed by Bro. F. J. Nash, who expressed the pleasure he felt in installing Bro. Crafter, who had joined the Lodge on the same evening as himself. The health of Bro. R. Wilson Bartlett, the President of the Society of Incorporated Accountants and Auditors, was proposed from the chair, and on rising to respond, Bro. R. Wilson Bartlett was received with great enthusiasm. The toast of "The Visiting Brethren" was given by Bro. Richard A. Witty and responded to by Bro. Palmer, Bro. Williams and Bro. Neville Faulks.

The Lodge meets at Freemasons' Hall on the fourth Tuesday in October (Installation), third Tuesday in December, fourth Tuesday in January, and first Tuesday in March. The Secretary is Mr. M. J. Faulks, M.A., F.S.A.A., 8-9, Martin Lane, Cannon Street, London, E.C.4.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to and promotions in the Membership of the Society have been completed since our October issue:—

ASSOCIATES TO FELLOWS.

- BRAND, CECIL HOLMES A.C.A., (Kemp, Chatteris, Nichols, Sendell & Co. and Hudson Smith, Briggs & Co.), Walbrook, London, E.C.4., Practising Accountant.
- DIXON, JOHN WOLRYCHE, B.A., A.C.A. (Martin, Farlow & Co.), 34-36, Gresham Street, London, E.C.2., Practising Accountant.
- GOWER, HENRY HERBERT JOHN (A. E. Quaife & Gower), Gwydir Chambers, 104, High Holborn, London, W.C.1., Practising Accountant.
- NAVDER, DARABSHA NUSSEERWANJI, B.Com. (D. N. Navder & Co.), Motlibai Wadia House, 118, Parsi Bazaar Street, Fort, Bombay, Practising Accountant.
- PYBUS, SYDNEY JAMES, Accountant, Tilbury Urban Council, Council Offices, Tilbury.
- SPEAKMAN, REGINALD PERCY (Worrall & Speakman), Prudential Buildings, 36, Dale Street, Liverpool, Practising Accountant.

ASSOCIATES.

- AUSTIN, WALTER DAWSON, with Alfred Southern & Co., Northern Assurance Buildings, Albert Square, Manchester, 2.
- BARTFIELD, SAM, A.C.A., (Bartfield & Co.), 91, Cookridge Street, Leeds, Practising Accountant.
- BEECHEY, ERIC THOMAS, with Butterworth, Jones & Burston, 7, Castle Street, Bridgwater.
- BELLAMY, MAURICE VENN, with E. H. Bosworth, Barclay Chambers, 17, Highcross Street, Leicester.
- BOWMAN, STANLEY, City Treasurer's Department, County Borough of Wakefield, Wakefield.
- BROCKBANK, ROBERT WILLIAM, with Alan J. Gray, Station Chambers, 10, Neville Street, Newcastle-upon-Tyne.
- BROWN, ROBERT BROUGHTON, with E. V. Williamson & Co., Greek Street Chambers, Greek Street, Leeds.
- CLEMENTS, WILLIAM KENNETH WATSON, with Southern & Norman Jones, 31, Terrace Road, Aberystwyth.
- CLUTTERBUCK, JOHN EDWARD, with Moustardiers, 69, Downs Road, London, E.5.
- CORBIN, FREDERICK ELI, A.C.A. (Blakemore, Elgar & Co.), 9, King's Bench Walk, Temple, London, E.C.4., Practising Accountant.
- COYLE, JAMES PATRICK GABRIEL, 16, Dawson Street, Dublin, Practising Accountant.
- DADABHOY, JAL NARIMAN, B.Sc., formerly with Chandabhoi & Jassoobhoi, 43, Morarbhay Building, Apollo Street, Fort, Bombay.
- DASTUR, DARA NASSERWANJI, formerly with A. S. Madon & Co., Mahindra Mansions, Esplanade Road, Fort, Bombay.
- DATTA, KALYAN KUMAR (K. K. Datta & Co.), 95-1, Garpar Road, Calcutta, Practising Accountant.
- DAY, FRANCIS CLIFFORD, with Singleton, Fabian & Co., 8, Staple Inn, London, W.C.1.
- DICKINSON, PETER GAVIN, with C. W. Owles & Co., 18-19, Silk Street, London, E.C.2.
- FOX, MARGARET, with Howard Howes & Co., Norfolk House, Norfolk Street, Strand, London, W.C.2.

FRITH, WILLIAM DENZIL, with Keens, Shay, Keens & Co.,
19, College Road, Harrow-on-the-Hill.

HARCOURT, LESLIE CHARLES, formerly with H. T. Gore
Gardiner, 238-243, Temple Chambers, Temple Avenue,
London, E.C.4.

HARDIE, REGINALD, formerly with Parkinson, Mather
& Co., 5, Clarence Street, Manchester.

HAWKER, RONALD, with Black, Geoghegan & Till, 67,
Watling Street, London, E.C.4.

HAWKINS, JAMES EDWARD, 19, Sweeting Street, Liverpool,
Practising Accountant.

HEATON, JAMES STANLEY, with Bottomley & Smith,
Halifax Permanent Chambers, Cavendish Street,
Keighley.

HIRST, WILLIAM HENRY, with Clayton & Potts, 4, South
Parade, Leeds.

HIRJI-KHORSIED, HISTASP, B.A., formerly with Sorab S.
Engineer & Co., Morarbhoj Buildings, 45, Apollo
Street, Fort, Bombay.

HUGGINS, LEONARD WILLIAM, with Kingseott, Dix & Co.,
1, Barton Street, Gloucester.

HURT, HAROLD, with Boaler & Flint, Bromley House,
Angel Row, Nottingham.

JAVERI, SURENDRE CHAMANLAL, B.A., formerly with
S. B. Billimoria & Co., 113 Esplanade Road, Fort,
Bombay.

JOHNSON, CYRIL WILLIAM, formerly with Baker & Co.,
Lillie House, London Road, Leicester.

KIRKLAND, FREDERICK JAMES, with Gibson, Whiteley &
Co., 404-8, Reserve Bank Chambers, Wale Street,
Cape Town.

LAMB, WILLIAM JAMES, with Harwood Banner & Son,
24, North John Street, Liverpool.

MOORE, FREDERICK THOMAS, with H. J. Cox & Co., 4,
Cardiff Road, Luton.

MOORE, WILLIAM STUART, with James Malcolm, 44,
Royal Avenue, Belfast.

MOULE, FRANK CALEB RICHARDSON, with Stokes & Ricks,
Sherwood Buildings, Sherwood Street, Nottingham.

PALMER, DENIS ANTHONY, Borough Accountant's office,
Town Hall, Brighton.

PAYTON, HERBERT, Borough Treasurer's Department,
Town Hall, West Bromwich.

QUAIFE, EDWARD VERNON, A.C.A. (Quaife & Johnson),
43, Mount Pleasant Road, Tunbridge Wells, Prac-
tising Accountant.

ROSSITER, LESLIE ARTHUR, with Clifford J. B. Andrews,
43a, Poole Road, Bourne-mouth.

SCUTT, GEORGE ARTHUR, H.M. Inspector of Taxes,
1st District, 24, Clifton Street, Blackpool.

TRAVERS, JAMES, formerly with Dearden, Gilliat & Co.,
79, Mosley Street, Manchester.

TURNER, DAVID GEORGE ASHLEY, with Owen Stallwood,
26, Martin Lane, Cannon Street, London, E.C.4.

UMNEY, CYRIL BERNARD, A.C.A. (Ryland, Umney & Co.),
St. Paul's Station Chambers, Queen Victoria Street,
London, E.C.4, Practising Accountant.

WEBB, BERNARD ERNEST, (Ernest Webb & Son), 34,
Grand Parace, Brighton, Practising Accountant.

WILKIN, JOSEPH HENRY, Borough Treasurer's Depart-
ment, Municipal Building, Preston.

CHEQUE DRAWN "PAY CASH OR ORDER."

In the King's Bench Division on November 6th Mr. Justice Branson delivered judgment in the action by Mr. W. T. Wood, Liverpool, as liquidator of the North and South Insurance Corporation, Limited, against the National Provincial Bank, Limited, for a declaration that the Bank, as the Corporation's bankers, had wrongly debited their account with a cheque for £250. The cheque was drawn in the form "Pay cash or order" and not endorsed. The cheque, it had been stated, was paid to the L. & W. Debenture Corporation, Limited, who had entered into an agreement to raise capital for the North and South Corporation.

His Lordship said it was submitted for the plaintiff that the document was a cheque drawn to order, and therefore needed endorsement, and that there was no proper mandate given to the bank to pay out the money as they did. The defence was (1) that if it was a cheque it was a bill of exchange payable to a fictitious or non-existent person; (2) that if it was not that, then it was not a cheque at all, but merely an order to the bank which the bank interpreted as the North & South Company intended it to be, and therefore the latter could not claim repayment of the money.

The first question was whether the document was a cheque, and if so, was it drawn to a fictitious or non-existent person so as not to need endorsement? In his view the document could not properly be called a cheque. Under sect. 73 of the Bills of Exchange Act, a cheque was a bill of exchange drawn on a bank and payable on demand. A bill of exchange was defined by the Act as an unconditional order requiring payment to, or to the order of, a specified person or to bearer. In the present document the words were "Pay cash or order, £250."

Cash, said his Lordship, could not in any view of the case be described as a specified person. Mr. Tucker (for the liquidator) had contended that the words meant "Pay cash to me or my order." "Cash" could not be treated as a payee at all. As to whether the document was a cheque drawn to a fictitious or non-existent person, it was not drawn to any person at all. It was not payable either to a specified person or to bearer, and was not a bill of exchange. Sect. 7 of the Bills of Exchange Act said that the payee must be named or otherwise indicated with reasonable certainty. This document did not come within the Act, because it had no payee. He was, therefore, driven to put such a construction on the document as seemed to have been intended by the party who brought it into existence.

The word "cash" was an impersonal collection of letters, and he must hold that the document was a direction to the bank to pay £250. But to whom? Surely to the bearer of the document. If a specified person was to be the recipient of the money, that should have been put on the document. For the same reason that the Statute had indicated that where the payee was a fictitious or non-existent person, a bill of exchange might be treated as payable to bearer, here, where there was simply an order not contained in a bill of exchange, it followed that the demand must be, and was intended to be, made to the person presenting the document. It would be a blot on our legal system if the Court had to hold that, notwithstanding that the order was interpreted in the sense in which it was intended to be acted upon, the giver of the order could turn round and say "You have not fulfilled my mandate, therefore pay me back the money which in pursuance of my direction you have paid away." For the reasons he had given, the action failed, and there must be judgment for the bank with costs.

Mr. H. Harper-Smith J.P., F.S.A.A., has been elected an Alderman of the city of Norwich, and has also been appointed Lord Mayor's Auditor in place of the late Mr. H. O. Bennett, F.S.A.A.

Incorporated Accountants' District Society of Nottingham, Derby and Lincoln.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' District Society of Nottingham, Derby and Lincoln was held at the Victoria Station Hotel, Nottingham, on October 31st. Mr. HAROLD R. HORNE, President of the District Society, was in the chair, and the large and representative gathering included the Lord Mayor of Nottingham (Councillor R. E. Ashworth), the Sheriff (Councillor W. Binch), the Lord Mayor-elect (Sir Albert Ball), Mr. Walter Holman (Vice-President of the Society of Incorporated Accountants and Auditors), Sir Albert Atkey, Principal H. A. S. Wortley (University College, Nottingham), Mr. A. E. Roe (President, Chamber of Commerce), Mr. A. C. Caporn, M.P., Mr. W. O. Burrows (Secretary, Chamber of Commerce), Mr. R. J. Willatt (President, City Business Club), Mr. W. Trease (President, Nottingham Stock Exchange), Mr. A. M. Jenkins (President, Nottingham Insurance Institute), Mr. A. A. Garrett, M.B.E., M.A. (Secretary, Society of Incorporated Accountants and Auditors), Mr. H. T. Millman (President, Incorporated Accountants' District Society of Leicester), Mr. F. Pragnell (President, Nottingham Society of Chartered Accountants), Mr. F. Alcock (President, Law Society), Mr. A. J. Rogers (Official Receiver), Mr. A. B. Griffiths (President, Incorporated Accountants' District Society of Sheffield), Mr. W. Nixon (President, Incorporated Accountants' District Society of Manchester), Mr. J. F. Young (President, Institute of Bankers), Mr. E. H. Wilson (President, N.E. Midland Branch, Chartered Institute of Secretaries), Mr. G. B. Blunden (Inspector of Taxes), Mr. P. F. Granger (Hon. Secretary, Nottingham Society of Chartered Accountants), Mr. J. W. Richardson (Hon. Secretary, Incorporated Accountants' District Society of Sheffield), Mr. W. T. Manning (Hon. Secretary, Incorporated Accountants' District Society of Leicester), Mr. F. A. Prior, F.S.A.A., Mr. Jesse Boydell, F.S.A.A. (City Treasurer, Nottingham), and Mr. Stanley I. Wallis, F.S.A.A. (Honorary Secretary).

In the regretted absence of Sir Ernest Jardine, through an accident, Mr. A. E. Roe, President of Nottingham Chamber of Commerce, proposed the toast of "The City and Trade of Nottingham." Looking back over the last forty years, he commented that the progress of the city in that time had been very remarkable. His great hope was that the accommodation found for those dispossessed from the slums would be watched in such a way that it would not become a slum also. Mr. Roe recalled that forty years ago, as an articled clerk, he used to take part in the auditing of the city accounts, his principal, the late Mr. Hubbard, being at that time the Mayor's auditor. Since then municipal work had grown to a remarkable extent, and he saw from the records they had no fewer than eleven Incorporated Accountants in their city departments. That spoke for itself. It meant that to-day matters had to be run on commercial lines and in that respect they could have no better servant than an accountant to see that those duties were carried through satisfactorily. Speaking as the representative of the Chamber of Commerce, he said they in the Chamber always wanted to work in close co-operation with the civic authorities. At times they had been

looked upon as somewhat critical. They were not critical except in this sense, that they wanted to see public money spent for the good of the people and in the interests of trade and commerce. During his year of office the Lord Mayor (whose name he coupled with the toast) had advocated the building of a trades hall, which would set the seal of success on Nottingham from a publicity point of view. Anything they could do to further it with the City Council they would be only too pleased to do as a Chamber. The Corporation were anxious to get a customs airport established there, and they would be pleased to do what they could, for Nottingham must not be behind. He paid a personal tribute to the Lord Mayor.

The LORD MAYOR (Councillor R. E. Ashworth), responding, said it was his privilege to go to the London Guildhall and hear the Prince of Wales give that fine speech at the centenary banquet. The Prince of Wales said on that occasion it would be a bad day when they could not get young men and women to come forward and undertake public service. It was a wonderful service to be able to perform. As to a trades hall, he had hoped that before the end of his year of office he would have been able to state that plans had been passed. He thanked the accountants for the part they were playing in regard to the prosperity of the city. They were the safety valve in industry. Their profession was reaching a high standard, and they were introducing mechanism to advantage. Even the City Treasurer did that. (Laughter.) He would like them, when making suggestions to firms on the submission of balance sheets, to recommend how they might expand their business. They were now reaching the end of cheap money—they must not forget that. They had had cheap money for a long time. He would recommend manufacturers to step in now with their developments because, in his opinion, this time next year they would not have three per cent. money and they would not have a low bank rate. Nottingham was waiting to expand and for those in industry to play their part. There was no room in this world for dead wood. It was not a matter of money making. Nottingham must be the industrial centre of the Midlands, and he appealed to accountants to advocate to those whose books and accounts they handled that now was the time for development. They should not hesitate. By so doing they would help to find occupation for many of the unemployed. They had a duty to perform, and now was their chance.

Mr. H. A. S. WORTLEY, M.A. (Principal of the Nottingham University College), submitted the toast of "The Society of Incorporated Accountants and Auditors." He had a great admiration, he said, for all who manipulated money. He had always understood that those who manipulated money might sometimes suffer, but he gathered that accountants manipulated money and always made money for themselves out of the manipulation. (Laughter.) He was given to understand that whether it was the affairs of a millionaire or of a bankrupt, as far as the accountant was concerned he was bound to make money one way or another. He would like to pay a tribute to the extreme courtesy of their Secretary, Mr. Wallis, who had called his attention to a book which dealt with the Incorporated Society. He commended the Society for its endeavour to promote something which he ventured to associate with their motto, to promote trustworthiness and uprightness in commerce and in commercial circles. Speaking on behalf of Nottingham University College, he was proud to think they of the College were associated with them in the pursuit of that particular aim. The high standard of

integrity in commercial life in this country to-day was due, in a large measure, to the steps taken by accountants in regard to this measure of trustworthiness and uprightness. He was particularly pleased they were so careful in regard to the question of admissions to their Society. Nottingham University College, he hoped, would long be associated with them in the pursuit of that particular ideal and in the endeavour to find the right people to be taken into membership by the Society.

Mr. WALTER HOLMAN, Vice-President of the Society of Incorporated Accountants, responding, said that this year they had celebrated the fiftieth anniversary of their foundation. During that period they had made great progress. Many men of vision and capacity had helped to make the Society what it was to-day, but the greatest of them had been taken from them recently. It was fitting that at that gathering he should refer to the life and work of their founder, Sir James Martin. He devoted his whole life to the Society. For 34 years he was its Secretary and for 16 years he served as adviser to the Council. For two notable periods he fulfilled with distinction the office of President, the last occasion during their jubilee celebrations this year. Sir James was a great accountant, but more than that he was a statesman with an unerring grasp of essentials and a judgment that was almost infallible. Throughout his life he directed his great gifts of heart and mind to the uplift of the Society. Sir James recognised that the strength of the Society must depend upon its individual members, and he initiated a policy of forming branches and district societies in order to encourage members and give them the opportunity of working together for the benefit both of themselves and of the Society as a whole. It was in pursuance of that policy that he attended the inaugural dinner of the Nottingham Society 26 years ago. The growth of the Society had been paralleled by a corresponding growth and development of the profession of accountancy. In the early days professional practice represented very largely elementary book-keeping. Gradually the horizon of accountants had widened and there was no real excuse for the time of professional accountants being wasted to-day on writing up books and checking postings. There were large numbers of traders who were content with the very minimum of information. These really were anachronisms and they accounted for a large proportion of the insolvency which was such a drawback in industry. The growth of the Society had been accompanied by an increase of efficiency and knowledge of internal administration and clerical assistance in industry. Because of that, if professional men were to justify their existence, it must be by their ability to meet the demands created by the growth and complexity of modern business. The way of development lay not in the preparation of accounts, but in their proper and correct interpretation; not in merely reporting on what had been done, but on what might be done; not in merely signing formal certificates, but in assisting to promote developments which would make industry more efficient. In order to assist in meeting these greater demands it was necessary for accountants to be even better prepared, and next year there would be a refresher course at Cambridge for the younger members of the Society. The refresher course held last year proved that there was such a large demand among their younger members for increased knowledge that the success of next year's course was already a foregone conclusion. Those who desired to go, therefore, should make early application. This refresher course was for the benefit of those who had passed their examinations and had qualified as members, but he wanted to say a word on the education

of those still working for their qualification. If he referred in passing to the practical training in the office it was because the value and quality of that training depended very largely on the office and on the experience to be gained there, and on the interest of the employer in his pupils. Side by side with that practical training there must be theoretical training in the principles of accountancy and in the duties of auditors, and it was that which was largely tested by the examinations which must be passed before candidates could become members of the Society. Speaking as an examiner, he was bound to say the training of candidates left much to be desired. If one was entitled to judge by the similarity of answers to questions and the frequent references to stock phrases and lack of originality in the answers given to questions, he was convinced that that was the result of cramming rather than of education. He knew the attractions of a short intensive course which held out promises of examination success for the expenditure of the minimum amount of time and effort, but he was sure that for a real acquisition of knowledge and understanding of basic principles personal tuition was invaluable. He had come there intending to advocate a course for professional accountants at Nottingham University College, but he found such a course already existed. In his view such a course was infinitely to be preferred to a course conducted entirely by correspondence. In a humorous reference to the political situation, the speaker said very few accountants became candidates for Parliament and still fewer were elected. He thought it was to be regretted, because he shared the view of the Lord Mayor that accountants could make a valuable contribution to the public life of the country. He had been wondering why accountants did not shine in public life. He had discovered three reasons. In the first place, accountants were no good at promises. (Laughter.) They were forbidden to promise, or, at any rate, to certify the optimistic promises of others. Then they were pledged to the truth. (Laughter.) They only certified what they believed to be true. Finally, they were not allowed to advertise; they were a modest folk. These were "failings" which unfitted them for political life, but he suggested there were also qualities the possession of which enabled them to render valuable service to the community. The Society existed to promote these qualities. (Applause.)

Mr. FRED A. PRIOR, F.S.A.A., proposing the toast of "The Guests," referred to the activities of the Nottingham members on behalf of the Society.

Sir ALBERT ATKEY, J.P., whose name was coupled with the toast, paid a tribute to Mr. Holman and the late Sir James Martin. With the latter he had enjoyed working for many years, especially in connection with the Association of British Chambers of Commerce.

Mr. JESSE BOYDELL, F.S.A.A. (City Treasurer), who proposed "The Chairman," recalled that in 1913 Mr. Horne took the gold medal of the Society. (Applause.) They were delighted to honour him with this toast. With it went the best wishes of the Society for his continued health and prosperity.

The CHAIRMAN, in his reply, said that in the spring of this year they had an informal meeting of members at which they presented to Mr. Fred Prior a small token of their esteem for his services as President of the Nottingham Society from 1928 to 1934, but he could not let the opportunity pass of placing on record their intense appreciation of the services he had rendered to the Society.

LECTURES AND TRANSACTIONS

OF THE

Incorporated Accountants' Students' Society of London, 1934-35.

The Editors of this, the thirty-ninth volume of "Transactions" covering the Autumn Session of 1934 and the Spring Session of 1935, express the view that the publication year by year of this complete record of proceedings serves a number of purposes. Those present at the meetings are able to refresh their memories and study more easily the points which particularly interest them; others can to some extent make good their loss by reading the lectures and discussions in print; all will find that these volumes form an addition of permanent value to their collection of professional books whether for reference or for study. At the same time emphasis is laid upon the advantages of attending the meetings. The labour of preparation for the examinations is lightened and illuminated by oral explanation or the personal experience of others; the point of topical allusion, partially blunted before the year's proceedings can be published, is sharper, and the sense of professional fellowship is stimulated by the meetings.

The cordial congratulations of the students were tendered to their President, Sir Stephen Killik, K.C.V.O., F.S.A.A., upon his election in 1934 as Lord Mayor of London for the year 1934-35. One of the first engagements of the Lord Mayor after assuming office was to receive the members and guests of the Students' Society at Incorporated Accountants' Hall, and in spite of his many activities during his year of office as Lord Mayor, Sir Stephen Killik has been unremitting in his labours on behalf of the Students' Society.

Three contributions to the volume deal with different aspects of Income Tax administration. Mr. H. E. Seed, A.C.A., Incorporated Accountant, is responsible for an address on "Back Duty Settlements," a branch of practice which is of absorbing interest. Back duty cases call for many qualities besides a knowledge of income tax law, including the ability to compile reliable accounts from incomplete records, a sympathetic knowledge of human nature, skill in negotiations and an alert and resourceful mind. Mr. Seed reviews the charging and penalty sections of the Income Tax Acts, and then considers in detail the important document known to accountants as "The White Paper." Some notes on the necessary investigation are followed by a consideration of the all-important matter of the amount to be offered in settlement. Here Mr. Seed suggests that the accountant must assume the rôle of advocate. The nature and the extent of the irregularities, the temperament and environment of the taxpayer concerned, and the point of view of the Revenue Authorities all have to be taken into consideration in the endeavour to arrive at that "appropriate restitution" which was indicated by the Financial Secretary to the Treasury in his statement to the House of Commons which preceded the issue of the White Paper.

The second income tax paper is by Mr. J. H. Ellison on "Some Aspects of the Appeal Functions of the Special Commissioners of Income Tax." Mr. Ellison is a member of the staff of the Board of Inland Revenue, but he makes it clear that his remarks are to be taken as personal comments only. The most important duty of Special Commissioners is to hear appeals and where required to state cases for the opinion of the High Court. Their powers and duties in this connection are summarised, and the author outlines the procedure adopted at such an appeal and discusses the precise nature of a Commissioner's

decision on appeal. Other duties of Special Commissioners briefly referred to include Residence Appeals, Charity Appeals and Dominion Income Tax Relief Appeals.

The third income tax lecture is entitled "An Introduction to Income Tax Practice," and is from the pen of Mr. W. J. Back, Incorporated Accountant. It is written for the especial benefit of younger students and deals with broad principles to the exclusion of the more intricate points of nicety in income tax practice. Mr. Back divides his subject into four main headings: (1) What is taxed? (2) Who is taxed? (3) How is tax assessed? and (4) Provision for taxation.

It is apparently expected as part of the ordinary duties of City Editors that they shall, from time to time, address accountant students on matters relating to finance, and there is no doubt that the students derive very real benefit from the expressed views of those whose daily duty it is to reflect the state of the financial world. Mr. Collin Brooks, City Editor, *Sunday Dispatch*, is the author of a paper entitled "The Changing Structure of Modern Business." It is a truism that history is happening every day though it is often not recognised as such until a later period, and Mr. Collin Brooks is here noting the current history of modern business. The growth of the big unit, the extension of its operations, vertically as well as horizontally, and the multiplication of departments, with the inevitable consequences of specialisation and delegation of authority and responsibility, are all developments of the last two decades. The same period has witnessed changes in the relationship between the State and industry as evidenced by the British Broadcasting Corporation, the Electric Grid, the Totalisator Control, and, in a slightly different sense, the creation of the various Marketing Boards. These and other changes lead Mr. Collin Brooks to a belief that the second halves of the careers of the young men of to-day will be lived in a *régime* which will demand either quite different qualifications or the same qualifications quite differently applied.

Mr. J. M. S. Green, Editor, *Financial News*, writes on the subject of "Fixed Trusts," one of the most modern changes in the world of investment. There has been and still is a good deal of controversy as to the merits and demerits of fixed trusts. Mr. Green deals with the legal constitutions of fixed trusts, the position of the managers, the importance of the trust deed and the need for publication of the exact terms of that deed. He then considers the criticism that fixed trusts exercise an unhealthy effect on the markets in the securities concerned, and draws attention to the "elimination clauses" which cover the conditions under which shares can be eliminated from the panel. There is a definite tendency for these elimination clauses to be widened, and whilst this development may be advantageous in some cases it opens the door to undesirable possibilities when the power is placed in the hands of unsatisfactory managers. The ensuing discussion on this address reflects the interest which the whole subject possesses for accountant students.

Two prize essays on "Test Methods in Auditing" are reproduced, one by Mr. H. Owen Fowler and the other by Mr. Christopher Waller. We learn from the report that sixty essays were submitted, a number which surely constitutes a record in essay competitions amongst accountant students and which reflects creditably on the keenness of the students themselves. The competitors whose efforts were not rewarded with a monetary prize have the satisfaction of knowing that their time was not wasted for the preparation of one paper is probably more helpful than listening to a dozen. The prize essays deal with the considerations which determine the limits of

selective or test methods in the examination of accounts, and although the method of approaching the subject is not the same in the two papers yet they are of such equal merit that it is easy to understand why the adjudicators bracketed these two competitors as first prize winners.

Executorship accounts is a subject which often exists only in text books so far as the young student is concerned, and the lecture by Mr. Ivor Johnson under the title of "Practical Points of Executorship" should be particularly useful to the students because the author deals fully with specific points illustrated by actual ledger accounts. His notes on the form in which the accounts should be presented are essentially practical, and there will be general agreement amongst accountants with the suggestion that separate schedules of investments and properties, showing the operations in relation thereto, should be appended to the accounts rather than actually shown in detail in the main accounts themselves.

Other papers in the volume include "Procedure in Creditors' Voluntary Winding-Up" by Mr. Gordon E. Radford, A.S.A.A., "The Statistical Presentation of Financial Data" by Mr. W. J. Back, Incorporated Accountant, "Agricultural Marketing Acts, 1931-1933" by Mr. R. C. Essenhigh, M.P., and "The Importance of Dates" by the Rt. Hon. Lord Askwith, K.C.B.

The Report of the Committee for the year 1934 includes the names of sixteen members who obtained Honours at the Intermediate and Final examinations in that year, a record of which any Students' Society might well be proud. A reception and dance was held at the Incorporated Accountants' Hall in the month of November, when the members and guests were received by the Lord Mayor and Lady Mayoress, and this social function—the first of its kind to be held by the Society for many years—may prove to be a forerunner of others of a similar character. So long as the social side is kept within reasonable limits there is little doubt that such occasions help to promote a feeling of fellowship which in turn helps what may be termed the more legitimate work of the Society. The Lectures and Transactions are issued free to the members of the Students' Society, and can be purchased by others at the price of 3s. 6d. (post free 4s.) from the Secretary, Mr. James C. Fay, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

Changes and Removals.

Messrs. Duart-Smith, Baker & Price, Albion House, King Street, Gloucester, inform us that Mr. W. S. Morgan is retiring from the firm. The practice will be carried on under the same name as heretofore.

Mr. D. G. Joshi, Incorporated Accountant, practising as K. Dandekar & Co., has removed his office to National Insurance Buildings, Esplanade, Madras.

Mr. Edward Swallow, Incorporated Accountant, Midland Bank Chambers, Market Place, Peterborough, intimates that he is retiring from his practice, which will be continued by Mr. W. E. Long, A.C.A.

Messrs. Sodhbans & Co. have changed the address of their Cawnpore office to Commercial Buildings, The Mall.

Mr. James Wild, Incorporated Accountant, intimates change of address to Progress Offices, Whittaker Street, Radcliffe, Manchester.

FORTHCOMING EVENTS.

1935.

- Dec. 2nd. Belfast District Society. At Belfast, Luncheon at 1 p.m.; Annual Dinner at 7 p.m.
Newcastle-upon-Tyne District Society. At Newcastle, at 6.30 p.m. Lecture by Mr. W. H. Grainger, F.S.A.A., on "Executorship Accounts."
- Dec. 3rd. Liverpool District Society. At Liverpool, at 6.15 p.m. Lecture by Mr. J. F. H. Templer on "Patents and Trade Names."
- Dec. 4th. North Lancashire District Society. At Preston. Lecture by Mr. R. W. Lynn, Solicitor, on "Appeals to the General Commissioners of Income Tax."
- Dec. 5th. Bradford District Society. At Bradford, at 7.30 p.m. Lecture by Mr. C. A. Sales, LL.B., F.S.A.A., on "Equitable Apportionments."
Burnley Students' Section. At Burnley, at 7.30 p.m. A Talk on Insurance by Mr. E. J. Willis.
Devon and Cornwall District Society. At Plymouth, at 6.30 p.m. Lecture by Mr. W. N. Carr, Inspector of Taxes, on "Bases of Assessment."
Nottingham, Derby and Lincoln District Society. At Nottingham, at 6.30 p.m. Lecture by Mr. A. A. Garrett, M.B.E., F.C.I.S., on "Secretarial Duties."
South Wales and Monmouthshire District Society. At Cardiff. Lecture by Mr. C. T. Stephens, F.S.A.A., on "Bankruptcy."
- Dec. 6th. Hull District Society. At Hull, at 7.15 p.m. Lecture by Mr. R. P. Anderson, A.C.A., on "Partnership Taxation and Liability."
Manchester District Society. At Manchester, at 6.15 p.m. Lecture by Mr. R. Bibby, A.C.A., on "Reconstructions and Amalgamations." (Students' Meeting.)
Newcastle-upon-Tyne District Society. At Newcastle. Annual Dinner and Dance.
- Dec. 9th. Dublin Students' Section. At Dublin, at 6 p.m. Lecture by Mr. W. Bertram Nelson, F.S.A.A., on "The Interpretation of Accounts."
Newcastle-upon-Tyne District Society. At Middlesbrough, at 7 p.m. Lecture by Mr. C. L. Hamer, A.C.A., F.S.A.A., on "Criticism of Accounts."
West of England District Society. At Bristol, at 6 p.m. Lecture by Mr. R. Glynne Williams, A.C.A., on "Consolidated Balance Sheets."
- Dec. 10th. West of England District Society. At Gloucester, at 5.45 p.m. Lecture by Mr. Percy H. Walker, F.S.A.A., on "Capitalisation of Profits and the Issue of Bonus Shares."
Yorkshire District Society. At Leeds, at 6.30 p.m. Lecture by Mr. Sydney Beevers, B.A., F.C.A., on "Executorship Accounts."
- Dec. 11th. Cardiff Students' Section. At Cardiff, at 8 p.m. Annual Dance.
London and District Society. At Incorporated Accountants' Hall, at 6 p.m. Lecture by Professor J. H. Jones, M.A., on "Neglected Aspects of Rationalisation."

North Staffordshire District Society. At Hanley, at 6.30 p.m. Lecture by Mr. F. C. Ormerod, Official Receiver, on "Bankrupts and Company Directors."

Sheffield District Society. At Sheffield, at 6.30 p.m. Lecture by Mr. C. J. Woodfield on "Legal Avoidance of Income Tax."

Dec. 12th. Bradford District Society. At Bradford, at 7.30 p.m. Lecture by Mr. Arthur Duxbury on "Hints on Public Speaking."

Leicester District Society. At Leicester, at 6 p.m. Lecture by Mr. W. Pickles, B.Com., F.C.A., on "Examination Points in Executorship Accounts."

Swansea and South-West Wales District Society. At Swansea. Lecture by Mr. P. S. Thomas, M.A., on "The Exchange Equalisation Fund."

Dec. 13th. Birmingham District Society. At Birmingham. Lecture by Mr. J. A. Lacey on "The Practical Aspect of Costing."

Manchester District Society. At Manchester, at 6.15 p.m. Lecture by Mr. A. L. Gibson, F.C.A., on "Social Credit from the Accountancy Point of View."

Sheffield District Society. At Sheffield. Students' Dance.

South of England District Society (Bournemouth Regional Committee). At Bournemouth. Supper Lecture by Mr. G. C. S. Machon, Inspector of Taxes.

South Wales and Monmouthshire District Society. At Newport. Lecture by Mr. C. T. Stephens, F.S.A.A., on "Claims Against Schedule A Assessments."

Dec. 16th. Hull District Society. At Hull. Social Evening.

Leicester District Society. At Northampton, at 6 p.m. Lecture by Mr. S. B. Bordoli, A.S.A.A., on "Rating."

Dec. 17th. Cardiff Students' Section. At Cardiff. Papers by Mr. B. R. Willis on "The Estate Duty Account" and Mr. H. L. Ward on "Recent Cases and Legislation in Mercantile Law."

Nottingham, Derby and Lincoln District Society. At Nottingham, at 6.30 p.m. Lecture by Mr. Stanley Blythen, F.C.A., F.S.A.A., on "Receiverships."

Dec. 18th. Newcastle-upon-Tyne District Society. At Newcastle, at 6.30 p.m. Visit to Offices of *Newcastle Evening Chronicle*.

Dec. 20th. Devon and Cornwall District Society. At Plymouth, at 6.30 p.m. Students' Evening.

Dec. 31st. Liverpool District Society. At Liverpool, at 6.15 p.m. Lecture by Sir Josiah Stamp, G.C.B.

Professional Appointments.

Mr. William Fisk, F.S.A.A., Borough Accountant, Maidstone, has been appointed Borough Treasurer of that Corporation.

Mr. J. S. Hodges, A.S.A.A., has been appointed Borough Treasurer of Wednesbury. Previously he was Chief Financial Officer to the Ebbw Vale Urban District Council.

Incorporated Accountants' District Society of North Lancashire.

ANNUAL DINNER.

There was a large number of guests at the annual dinner of the Incorporated Accountants' District Society of North Lancashire, held at the Park Hotel, Preston, on Friday, November 22nd. Alderman J. POTTER, J.P., Blackpool, the President of the District Society, presided, and those present included: The Mayor of Preston (Councillor E. Ley, J.P.); Mr. R. Wilson Bartlett, J.P. (President of the Society of Incorporated Accountants and Auditors); The Mayor of Blackpool (Alderman W. Newman); Mr. J. M. Worthington, J.P. (Registrar of the Chancery of Lancashire); Mr. P. E. Meadon, C.B.E., M.A. (Director of Education, Lancashire County Council); Mr. W. Woodcock (Registrar, Preston County Court); Alderman H. Astley-Bell, J.P. (President, Preston Chamber of Commerce); Mr. R. W. Lynn (Clerk to the Commissioners of Income Tax); The Town Clerk of Blackpool (Mr. D. L. Harbottle, LL.B.); Col. H. Parker (Official Receiver in Bankruptcy); Mr. C. Eastwood, J.P. (President, Preston Law Society); Mr. F. G. Howarth (President, Blackburn Law Society); Mr. E. E. Edwards, B.A. (Parliamentary Secretary of the Society of Incorporated Accountants); Mr. R. E. Smalley, J.P. (President, Preston Chartered Accountants' Students' Society); Mr. J. H. Ormerod (President, Blackburn Chamber of Commerce); Mr. Henry Mozley (President, Burnley Chamber of Commerce); Mr. J. J. Pickering (President, Blackburn Chamber of Trade); Mr. H. Smith (President, Blackpool Chamber of Trade); Mr. William A. Nixon (President, Incorporated Accountants' Society of Manchester and District).

Mr. R. W. LYNN (Clerk to the Commissioners of Income Tax), proposing the toast of "The Society of Incorporated Accountants," said the balance sheet which he had to present showed the profession of accountancy in a very favourable light, but there were several debit items. Speaking in a humorous vein, he charged accountants with being deficient in the artistic temperament and with adhering to the discredited utilitarian philosophy. (Laughter.) They displayed a lamentable lack of faith in human nature, and the third that they were hostile to the generous play of imagination. They did not count time by heart-throbs. The consistent and logical application of the fundamental rule would lead them to the sublime, but they let it stop them at the merely ridiculous. Every debit must have a credit. There were certain concerns that had a debit balance on their profit and loss account. What happened? The same figure appeared as a credit in the balance sheet. Thus there was the astonishing fact that money which had been irretrievably lost appeared as an asset. That was ridiculous, yet it might lead to the sublime if accepted in specie as remuneration. The man who did that was dead. The only really consistent people were the dead. (Laughter.) Turning to the credit side, he placed first that quality of detachment which led Sir John Simon to say of the accountant that he calculated sur-tax without envy and wound-up the bankrupt without remorse. Speaking seriously, that quality made the accountant more than a mere arithmetician, a calculator who had only to add up, subtract and find the balance. It made him the friend and counsellor of his clients. They could take to him their business problems in the sure confidence that they were receiving skilled and honest advice unmoved by fear or by reckless expectation. One object of the Society was to raise the status of the profession. He could think of nothing that would do more in that direction than the fostering of that quality—the policy to give honest and unbiassed judgment to business problems. Mr. Lynn referred to the late

Sir James Martin, who had exemplified that quality in an outstanding degree. His name could not be better honoured than by loyalty to the ideals which he taught, both by precept and by example. Inspectors of Taxes accepted accountants' certificates not exactly without question, but subject only to a few queries. He wondered sometimes if accountants appreciated what a tribute that was to them as a body. The truthfulness of the accountant was never questioned. If accountants thought along those lines sometimes instead of waxing indignant when the queries were received, they would think that, after all, the inspector was doing a difficult and responsible job of work, and it was best to help him. He commended the accountant for his tidiness, his objection to leaving loose ends, and the determination to reconcile every figure. There were people who were filled with dark forebodings of the future, but the sky of the Society was bright. (Cheers.)

Mr. R. WILSON BARTLETT (President of the Society of Incorporated Accountants), replying, thanked Mr. Lynn for the generous terms of his tribute. As a distinguished member of the profession of the law, Mr. Lynn appreciated the supreme importance of professional bodies which required from their members not only high professional capacity tested by wide and wise training, and by severe examination, but also the realisation of personal responsibility for the good name of those professions. Both the Law Society and the Society of Incorporated Accountants required very high standards of professional conduct, and, where necessary, did not hesitate to impose penalties upon the few who deliberately refused to observe those standards. Mr. Lynn had specially mentioned the very close link he had with accountants as Clerk to the Commissioners of Income Tax, a title which sometimes brought shivers to the spine of the taxpayers, especially those who had been so unwise as to omit the elementary precaution of entrusting their returns to their accountants. Even to-day, with the ever-increasing complexity of high taxation, it was not so widely recognised as it ought to be that one of the most important branches of accountants' work was largely concerned with the administration of income tax. Their duty in connection with taxation was extremely onerous. They acted in a fiduciary capacity, and were in honour bound to endeavour to secure equity as between their clients and the Commissioners of Inland Revenue, to ensure that all taxes were paid which ought to be paid and, on the other hand, that nothing was extracted from their clients over and above what was strictly required by the many Finance Acts. He had often heard the remark made that the rate of income tax could be reduced by sixpence in the pound if every taxpayer were correctly assessed. Personally, he did not agree with such a statement, as his experience led him to the opinion that to-day more taxpayers were suffering from an over-assessment than those who were enjoying—for the present—an under-assessment. Mr. Bartlett went on to state it was his first visit to the North Lancashire District Society, which was formed on the initiative of Alderman John Potter, of Blackpool 26 years ago. It was a matter of regret that the alderman had not been able to continue his Parliamentary work on account of ill-health, and he thanked him for helping forward the interests of the profession in relation to legislation. With a Government which had a clear majority he trusted we could look forward without undue optimism to a gradual and continuous improvement in trade, commerce and industry. The distinct upward tendency in trade and employment which had been evident in the Midlands and South of England during the past two years had unfortunately not been present to anything like the same degree in Lancashire and in the area of South Wales and Mon-

mouthshire. Both those districts were great exporting districts. He was sorry to learn that the depression in the cotton trade still remained. His one hope was that the world would be led in the direction of a lightening of those artificial trade barriers which were primarily responsible for the chronic unemployment in our staple industries. On the other hand, he was more than pleased to learn that Messrs. Courtaulds were erecting large works at Preston, at a cost of some two million pounds, which when completed were likely to employ between three and four thousand people. The Society was continuing to devote its attention to the welfare of its 6,500 members, and particularly to the younger members who were students. They would be pleased to learn that arrangements had already been made for holding another course at Caius College, Cambridge, next summer, during the first week in July, which would give a further opportunity to the junior members to pursue their studies in the higher branches of accountancy. He appealed to the younger members, and to the students particularly, to take full advantage of the work of their local district societies, and to attend as regularly as possible the lectures and discussions. He had a further appeal, with reference to his predecessor in office, the late Sir James Martin, whose death had been an irreparable loss. There had been a widespread desire to commemorate his memory in a worthy form, and it had been decided to have the memorial in two sections. The first was in the direction of education, and the second was the establishing of a Martin Memorial Fund to augment the Society's Benevolent Fund. During the whole of the fifty years that Sir James worked on behalf of the Society he was particularly concerned with the education of Incorporated Accountants, and also in assisting as much as possible the less fortunate members of the Society. He thought they would agree that the terms of the memorial could not have been more appropriate or more closely attached to the work which Sir James had done on behalf of the Society. The first section would take the form of two Exhibitions of £50 each to be awarded each year to certain successful articled clerks at the Intermediate examination. This would begin with the May examination next year, and would be financed directly by the Society. On the other hand, it was felt that every member of the Society would desire to mark his affection by responding to an appeal which he would shortly make to raise a permanent endowment as part of the Benevolent Fund. The Benevolent Fund was founded in 1892, and Sir James was its first hon. secretary, and, from 1923 until his death, its President. Its income was entirely devoted to the assistance of members who happened to be in need or to the widows and orphans of deceased members. He had already had many promises, varying from one guinea to 100 guineas, and he felt at the moment that he would be more than disappointed if he did not ultimately get a total sum of something like £10,000 towards the effort he had in mind. In concluding, Mr. Bartlett expressed his acknowledgments to Mr. W. Allison Davies (Borough Treasurer of Preston) for his services to the town and to the Society, and to Mr. J. Wareing, the Hon. Secretary of the District Society, who, in a quiet but strenuous way, always endeavoured to further the interests of Incorporated Accountants. (Applause.)

Mr. ERNEST E. EDWARDS (Parliamentary Secretary of the Society of Incorporated Accountants) proposed "Our Civic Governors." He was glad to know that in the majority of towns in the country the civic governors had the valuable and trained assistance of borough treasurers who were members of the Society of Incorporated Accountants. It was a source of justifiable pride to the Council that they were rendering such valuable service. Those

who sought public office must invite criticism, and he suggested it was one of the most healthy safeguards of democracy that it should be so. The encouragement of healthy and fearless criticism of those who performed public work was all to the good, but at the same time there were some people who regarded their civic governors as wide and easy targets for all missiles that might be thrown. But there were varying kinds of criticism. If civic governors spent, they were wasters. If they took the advice of their critics and began to save, those critics usually turned round and said, "What a set of reactionary skinflints our civic governors are." (Laughter.) Nearly 300 years ago, during the heyday of the cavaliers, Prince Rupert marched through Preston and arrested the Mayor and bailiffs of the town. The Prince thought it would be a refinement of cruelty if he confined a Lancashire Mayor in a Yorkshire prison. So the Mayor languished for some years at Skipton, where he remained until Cromwell came along and liberated him. He hoped the present Mayor would not have to suffer so much in the cause of liberty.

The MAYOR OF PRESTON (Councillor Ernest Ley), who responded, said that if they came to arrest him and found him between two leading accountants, they would not disturb him. (Laughter.) There was a time in the history of the town when there could have been entertained at that dinner table the actual civic governors in person. The town's records showed that as few as six magistrates or justices of the peace, appointed by the King, had the power to appoint 24 worthy citizens of their own choice as a council to rule the town. Preston was unique. When other famous towns were a mere collection of huts it had a corporate body and rights to legislate for local needs. There might be a suspicion that some of their ancient charters were of a mercenary origin, and helped to fill the coffers of the King; be that as it may, they benefited local trade and industry. There had been three outstanding events of the year. One was the King's Silver Jubilee, another was the Jubilee of the Society, and the third was the centenary of Local Government. There was a close connection between municipalities and the Society. He understood that at least 360 financial officers were members of the Society, including the Borough Treasurer of Preston, of whom the town was proud. He suggested that central government was overburdened. One fundamental condition of local government must surely be that the town which was inhabited by a genuine community should have an independent council possessing the largest measure of freedom compatible with the endorsement of national ideals on the one hand, and an insistence on administrative co-operation with other and adjoining authorities on the other. Local government would never fully realise its greatest possibilities until it was served by a body of highly trained experts of culture and imagination, with adequate pay and prospects comparable with the national civil service. He would take every opportunity of making an appeal for a greater interest in civic affairs. On the Preston Council there was at present one lawyer, no doctors and no accountants. At Blackpool there were two accountants. He would like to see on the Preston Council a greater representation of professional men. He knew the difficulties of the one-man practice, but he thought some sacrifice should be made. (Cheers.)

Alderman JOHN POTTER, F.S.A.A., submitted the toast of "Our Guests," and referred to the inspiration Mr. R. E. Smalley (the President of the Preston Incorporated Accountants' Students' Society) had given him when he first started in his profession. Explaining why he was concerned about helping the young people in the profession, he said he never forgot that he started from

the bottom rung of the ladder, and now, having achieved what he aimed at, he felt proud of his position and his Society. His final words to the young accountant were, "Never be ashamed of your profession, and always do the right thing."

Mr. J. M. WORTHINGTON (Registrar of the Chancery of Lancashire) caused laughter by remarking that he was surprised that accountants dared to entrust him with the responsibility of replying to the toast, because he knew so much about them. Perhaps they felt confident that in their cupboard rattled no skeletons. He emphasised that the accountant was not a mere arithmetician. Most of the criticism against the profession resulted from misconstruing its members' functions. There was an idea that their job was to add up and subtract and find the difference. Every balance sheet must of necessity comprise many elements, some human, some material, and many of them beyond the ken of the auditor who had to certify the accounts. He thought it might be well to emphasise such considerations to the general public. It might in the first place result in greater justice being done to the auditor. With due deference to his legal superiors, even in the law courts, the auditor had been unjustly condemned because of the presence of factors which perhaps, strictly speaking, were outside the scope of his functions. By the influence of such men as their President, accountants were endeavouring to foster and maintain the highest standards of professional purity. They were doing a great work for the State. He could not help feeling that it would be better for them as a Society, and for the public, if the State granted greater powers to the Society to enable it to exercise coercive measures that might free the public from the imposition of imposters and of those who disgraced the honourable name of accountants. (Applause.)

Auditors' Reports.

The *Journal of Accountancy*, New York, commenting upon needless detail in reports, says: "The accountant who performs an audit is concerned only with a clear and precise explanation of what he finds. The danger of the narrative form of balance sheet is that it can run to absurd extremes. The form, when kept at its simplest, is eminently desirable, but it should not develop into a lengthy dissertation of principles. What can be said in a few words is seldom better said in many words."

Central Banks and the Recovery in Commodity Prices.

The issue of *The Statist* for November 16th contains the annual International Banking Survey. An introductory article to this survey discusses the attitude of central banks to the recovery in commodity prices, and points out that for eight months the exchanges have been virtually as stable as they would have been under an effective gold standard, and that the level of international prices has shown a most pronounced advance during that period. *The Statist* asserts that all purely monetary conditions for a further rise in commodity prices are now in existence.

Room Let at £2,000 a Year.

A spectacular instance of a high rental was given by a leading London surveyor in a paper read at a meeting of the Auctioneers' and Estate Agents' Institute recently. Owing to its proximity to a certain door of the Stock Exchange a moderately sized room in the City of London commanded the astonishing rent of £2,000 per annum.

Correspondence.

New Decree Laws in France.

To the Editors, *Incorporated Accountants' Journal*.

SIRS,—There was published, on October 31st, the last batch of Decree Laws, made by the Laval Government under the special powers conferred on it by the Chamber. The Decrees run into three hundred and fifty pages of the *Journal Officiel*, and will take some time to digest. In the meantime the following translation of one of the Decrees may be of interest. (*Journal Officiel*, page 11,469):—

"The balance sheet and profit and loss account, presented to the general meeting must be made up each year in the same form as the preceding years, and the methods of valuing the different items must be immutable, unless the general meeting, after consideration of reasons given in the auditors' report, shall expressly approve each of the modifications effected, whether as regards the method of presenting the figures or as regards the basis of valuation.

The inventory, the balance sheet and the profit and loss account, and generally all documents which, according to law must be submitted to the general meeting, must be held at the disposal of shareholders at the head office at least fifteen days before the date of the meeting.

At any time in the year, any shareholder can examine or take copy at the head office by himself or by agent, of all documents which have been submitted to general meetings during the past three years, and of the minutes of these meetings. He can also, at least fifteen days before the date of a general meeting, require to be produced to him at the head office the list of shareholders.

Nominative shareholders who make the request may, at their expense, receive convocation of general meetings by letter.

Yours sincerely,

November, 1935.

ARTHUR H. HUGHES.

Schedule A and Rating.

To the Editors, *Incorporated Accountants' Journal*.

SIRS,—I have read with interest the lecture on Municipal Accounting and the remarks on rating.

A knowledge of rating is essential in dealing with Schedule A. Rating appeals are regarded as the perquisite of the house agent. The Act of 1869 lays down that the rack rent is "that which property may reasonably be expected to fetch." The taxing authorities now determine their own assessments.

The following is a broad basis:—

Freehold hereditaments, 20 years purchase, gross annual value.

Leasehold hereditaments, 10 years purchase. Deductions varying from one-fourth to one-eighth for repairs are allowed in arriving at the net annual value. All assessments are based on the latter figure.

New Property.

Site value at per foot frontage.

Actual cost of building.

Twenty years or ten years purchase as the case may be.

Small Property.

There is a special scale where landlord pays rates.

I recently advised on the new property basis. On appeal

the assessment was reduced from £60 gross—£48 rateable to £30—£24.

It costs nothing to appeal to the Commissioners. A patient and intelligent hearing is assured; an appeal from the Assessment Committee to Quarter Sessions requires Counsel, and is expensive.

Yours faithfully,

November, 1935.

SUBSCRIBER.

Obituary.

HARRY OSCAR BENNETT.

It is with regret that we record the death, at the age of 61, of Mr. Harry Oscar Bennett, F.S.A.A., which occurred on October 28th after an illness lasting over two months. Mr. Bennett was for many years on the staff of the late Mr. Charles Larking, F.S.A.A., Norwich. In 1918 he commenced practice on his own account and built up a large connection. Mr. Bennett was prominently associated with the foundation of the East Anglian District Society of Incorporated Accountants in 1929, and remained a member of the Committee up to the time of his death. He was a member of the Norwich City Council and for several years Chairman of the Finance Committee. He also occupied the position of Honorary Secretary of the Norfolk and Norwich Aero Club, and was a member of the Amateur Athletic Association.

SIR MARK WEBSTER JENKINSON.

We regret to record the death of Sir Mark Webster Jenkinson, F.C.A., who passed away suddenly on November 4th at the age of 57 after suffering from heart trouble for some months. He was trained as an accountant and took honours when he qualified as a member of the Institute of Chartered Accountants in 1901. During the War he held the position of Controller of Factory Audit and Costs at the Ministry of Munitions and after the War was appointed Chief Liquidator of Contracts at the Ministry. He was made a C.B.E. in 1918 and promoted to K.B.E. in 1926. Afterwards he served on several Government Committees and held a number of important directorships, including Vickers-Armstrongs, a company with which he was closely connected from its formation. He was also author of several works on finance and accounting.

EBENEZER JOHN WEBBER.

The death took place on Monday, November 4th, of Mr. Ebenezer John Webber, F.S.A.A., at the age of 68 years. Mr. Webber was a partner in the firm of Percy Mason & Co., of 64, Gresham Street, London. He had been connected with that firm for nearly half a century, and was a member of the Society for over forty years.

The Federacion de Colegios de Doctores en Ciencias Economicas y Contadores Publicos Nacionales (Federation of Colleges of Doctors of Economic Sciences and National Public Accountants), Buenos Aires, has elected the following officers and committee:—President: Cr. Miguel A. Borau. Secretaries: Dr. Eduardo M. Gonella and Cr. Atilio M. Baragiola. Committee: Dr. Francisco M. Alvarez, Dr. Juan Bayetto, Cr. Ricardo Belisle, Cr. Juan C. de la Fuente, Cr. Segundo L. Juárez, Cr. Francisco Junyent, Cr. José G. Marranzino, and Cr. Jacobo Wainer.

Some Interesting Points on Insolvency Practice.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

MR. ALBERT V. HUSSEY,

INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. F. W. LE B. LEAN, F.C.A.

The CHAIRMAN, in introducing the Lecturer, said they were fortunate that evening in having with them high officials of various Government Departments—the Board of Trade, the Bankruptcy Court and the Winding-Up Court. He did not propose to refer to them by name because officials representing a State department were very careful not to be drawn into private controversy. They held a unique position, and he could assure them from personal experience that they exercised a very searching control over the acts of a trustee. They had also with them one whom he might mention by name, because he was not an official, but a solicitor whose name was honoured in the insolvency world—Mr. Arnold Biddle, the head of the firm of Biddle & Co.

Mr. HUSSEY said: I have experienced great difficulty in making up my mind which parts of the subject of Insolvency I could leave out without detriment to the whole, for it will be appreciated that in the time allotted to me I can but touch upon the fringe of the subject which is covered by the largest law of the land. It is essential for us to remember that Bankruptcy Law has to provide for every contingency appertaining to man's business of life after he attains his majority; it must, *inter alia*, cover such widely different aspects as his ownership or occupation of lands; his gambling or extravagance, resorting to moneylenders; or, the operations of the Divorce Laws in his favour or against him, likewise any position involving trust funds which he may hold; all these and more, must be provided for; for most men who become bankrupt have additional rights or responsibilities apart from their ordinary business, or means of obtaining a livelihood. Mr. George F. Kingham, Barrister-at-Law, who is entrusted with the task of writing *Halsbury's Laws of England*, so far as they relate to bankruptcy, confirms that no branch of the law of this country is larger.

A historical survey of the laws of insolvency could easily be the subject of a complete lecture, therefore, as we are all concerned with the present and the future, it will suffice if we take a hurried view into the past, and then quickly pass on to the present.

Three hundred years ago it was the practice to deal with an unsatisfactory bankrupt by fixing him to the pillory, and at the end of two hours they proceeded to cut off one of his ears; and it is recorded that in 1761 a debtor who was proved guilty of a fraudulent bankruptcy was hanged at Smithfield. Those of you who have had experience of certain types of insolvency in recent years, including those associated with fire-raising, may consider it a thousand pities that such provisions were ever repealed from the Statute Book.

It was about 50 years ago that the Board of Trade was first entrusted to keep a watchful eye upon those who, for a living, administered insolvent estates. By this time the law had changed considerably, and inclined very much in favour of the debtor; it seems creditors were frequently more concerned with the activities of those who were appointed to administer insolvent estates than they were with the deeds or misdeeds of the defaulting debtor. In July, 1883, the then President of the Board of Trade

stated in the House of Commons that "many trustees were little better than swindlers, and that if called on to pay over all the trust funds which should be in their hands, many would find it convenient to leave the country." I will make further reference to the Board of Trade later on.

Students will appreciate by the title of this address that I cannot give an exhaustive review of each class of insolvency, and that unless specifically indicated my remarks may apply to the affairs of a sole trader, a partnership, a private limited company or a public limited company, for the ultimate result must always be the same, viz., the equal distribution of the assets amongst the creditors, and the release of all claims upon the debtors, subject to the punishment of those responsible for the failure, if offences against the insolvency laws are proved, and for this reason I shall not trouble you unduly with details of dates and time limits so frequently referred to in the text books, but you will keep well in mind that for examination purposes you must learn them thoroughly.

The general impression is that students experience difficulty in finding interest in the subject of insolvency. If this is so, possibly the reason is that it is considered too much akin to suicides, inquests, undertakers and graveyards; but when one has experienced the carrying through of an insolvency case to its final conclusions it can result in not an unworthy pride that a tangled mass of twisted finance and affairs has been bared, and either a decent interment conducted, or, if the patient was not a hopeless case, a successful operation was performed, the patient restored to health and returned to the family of Finance, Industry or Commerce, for it is most important to remember that accountants dealing with insolvency work must, if possible, be constructive and not destructive.

The most important word in the insolvency practitioner's vocabulary is "insolvent" for any misunderstanding as to when a business is insolvent may lead to endless trouble and expense. Unfortunately, views by senior members of both the legal and accountancy professions do not always coincide, but I put it to you—if debts are due for payment, can they be discharged from such assets as freehold and leasehold land and buildings, plant and machinery, patent rights, goodwill, &c.? The answer, obviously, is no, for it matters not what may be the amount of the excess of assets over liabilities on paper; if a business is unable to meet its obligations *as and when they fall due*, that business is insolvent. The law, however, provides for a business to have a little grace in this direction, because the procedure to be followed by a creditor, to legally establish a state of insolvency in the affairs of his debtor takes a few weeks, during which time assets may be converted into cash, enabling the claim of the creditor to be discharged. Sect. 169 of the Companies Act, 1929, clearly sets out how a state of insolvency can be legally established so far as a company is concerned. It may at this point be conveniently stated that the general tendency is to grant more and more relief to debtors and debtor companies, and less safeguards to creditors, who in the past, and even to-day, frequently are guilty of negligence in granting credit, heeding not the great risk often involved in selling goods for a future payment.

The causes of failure are many indeed, but I doubt if administrators of insolvent estates will ever be rid of the "stock" answers given by a very large majority of debtors, viz.:

- (1) Lack of working capital;
- (2) Keen competition;
- (3) Change of fashion (in a fashion trade);
- (4) Unfavourable weather.

One can often appreciate these answers, except No. 4; if the insolvency case deals with wearing apparel of any kind, an exceptional period of good weather will be held responsible for the public requiring less clothes to wear, whereas an exceptional period of bad weather will be held responsible for the public making do with what they already possess. Less still can one understand the reason when given by a debtor engaged in agriculture, for although bad weather will seriously interfere with crops, the price of produce at once reflects that the demand is greater than the supply. Another important reason which has been given thousands of times in the post-war years is the disastrous trade depression, and although it would rank first I have purposely omitted the same in the hope that a period of prosperity lies before us, and that future debtors will not be able to refer to a general trade depression throughout the whole country.

Doubtless you are aware that many insolvency cases first become known to the creditors upon receipt of an invitation to attend a meeting of creditors; this meeting may be convened by the debtor, his accountant or solicitor, or some other person, but, in many instances this meeting has no statutory significance, although disclosures made at such meeting may prove that one or more "Acts of Bankruptcy" have been committed; even the notice convening the meeting may constitute notice of suspension of payment, in itself an "Act of Bankruptcy."

DEED OF ARRANGEMENT OR BANKRUPTCY.

If no offer of composition can be made, the assets must be realised and distributed, and at such meetings one frequently hears that the case should be dealt with under a deed of assignment instead of resorting to bankruptcy, or, if the affairs of a limited company are being considered, that a creditors voluntary liquidation should be preferred to a compulsory liquidation, the contention being that it will be possible to pay a greater dividend than would apply if the case were dealt with by the Court. The reasons quoted for this are the heavy costs of bankruptcy or compulsory liquidation, the fact that a trustee under a deed of assignment, or liquidator in a voluntary liquidation can investigate the matter more thoroughly than the Court, also that Court procedure affords the creditors nothing by way of advantages over the simpler and cheaper methods of winding up insolvent estates outside the Court. Are such statements invariably true? Let us examine them.

We will consider the affairs of a sole trader or partnership. The provisions for winding up the affairs of such are, as you are aware (a) by a deed of assignment, or (b) by bankruptcy. The cost of a deed of assignment, that is to say the legal charges for the preparation of the document, the fees payable upon registration and the legal charges for obtaining the creditors' assent to such deed, frequently closely compares with the cost of obtaining a receiving order against a debtor or firm; in addition there may be a petition on the file by a creditor who will only assent to the deed if the costs of the petition served by him are paid in full.

Now as to the general activities after legal title is vested in the trustee. Should the trustee's investigation into the affairs indicate that the debtor or partners have been guilty of misfeasances and misdemeanours, he will, if the case is in bankruptcy, examine the parties concerned at the public examination, and if the allegations are substantiated and the full force of the law introduced, the debtors will be punished accordingly. But what if the case is being dealt with under a deed of assignment?

There is no method of punishing the parties concerned other than to declare the deed void, if provision for this

is made in the deed, and since this would mean that the creditors must then proceed to have the case dealt with in bankruptcy, in which the deed trustee would be ineligible to act as trustee in the bankruptcy, is it human to expect that information would be readily given to creditors, particularly bearing in mind that the deed trustee could not retain any funds for or on account of remuneration no matter how much he may have accomplished in the realisation of the assets and the general investigation of the case.

Other very important aspects are:—

(a) Assets pass to the trustee as at the date of a deed of assignment, and if the debtor was left a fortune afterwards, no portion of it would be available for the creditors; but in bankruptcy, if the bankrupt has not obtained his discharge, after acquired property passes to his trustee.

(b) A deed of assignment, unfortunately, can contain some extraordinary clauses which act unfairly upon the general body of creditors, yet be a valid legal document.

Example: The trustee may have power under the deed to pay the claim of any creditor in full; also power to continue to trade at a reasonable supervision fee, employing the debtor who shall be the principal, thus absolving the trustee from liability should losses be incurred.

Such obvious weaknesses do not, and cannot, arise in bankruptcy.

(c) A trustee in bankruptcy can disclaim leases and contracts containing onerous covenants, but a trustee under a deed of assignment cannot.

(d) There is no automatic audit by the Board of Trade of the accounts of a trustee under a deed of assignment, and whilst we must assume that all trustees are honest men, experience teaches one that insolvency work attracts to it some whose first thoughts are certainly not associated with the interests of the creditors or the debtor.

I could enlarge upon the foregoing, but time does not permit; but you will have in mind that there is no automatic audit in voluntary liquidation, and if a particular creditor should be awkward, ways may be found of satisfying him which may never be known to the general body of creditors. Another important point is that directors and other persons cannot be satisfactorily examined in a voluntary liquidation.

I am sure that I have said sufficient to enable you to appreciate that should you be asked to advise a client who is a creditor in an insolvent estate as to whether he should agree to the case being dealt with outside the Court, you will not overlook that you must be satisfied that the person who is to control the case is of unimpeachable integrity, and one who will conduct the whole case just as though it were under the constant vigilance of the Board of Trade.

SELECTION OF TRUSTEE OR LIQUIDATOR.

This brings me to another important point which at first seems difficult to understand; that is, why do creditors invariably seek an independent accountant to act as trustee or liquidator? One of the many reasons, I think, is that creditors have in mind that human nature being what it is, some aspects of the case may not be fully brought to their notice.

Failure to have reported in writing to a debtor his state of affairs, and the urgency of the creditors being called together before the assets are further depleted, is not lightly overlooked by creditors, and you are aware of the law cases in which auditors have been held liable for passing transactions involving dividends being paid out of capital; the purchasing of its own shares; borrowing

in excess of its powers under the Memorandum and Articles of Association, &c. Would such cases come to light if no independent accountant were introduced, and can any valid reason be given why accountants should not take their stand with the directors or proprietors regarding any responsibility they may have in the matter?

Accountants have been fortunate in being entrusted with insolvency work; the reasons for this may be summarised as follows:—

(a) Their training fits them for the task of detecting attempts by debtors to deceive, defraud, prefer or defer their creditors;

(b) Likewise the training of accountants enables them to state whether the business is capable of being resuscitated to the advantage of all concerned;

(c) The settlement of the list of creditors to rank for dividend involving the compromises necessary with regard to contracts containing onerous covenants such as leases, &c., call for that fearless adjudication based upon facts, which is born in all true accountants;

(d) The realisation of assets is more likely to produce better results under the guidance of a professional accountant free to negotiate offers with private persons or firms, than by the process demanding "market overt" in each case.

RENT AND POWER OF DISTRAINT.

I do not consider that an address on the subject of Insolvency Practice to accountancy students can be complete unless a special reference is made to rent.

One never ceases to wonder at the number of solicitors and accountants who think the landlord is a preferential creditor for his rent. He is not a preferential creditor; he merely possesses special rights, the reason for which can be readily appreciated; if the tenant is in occupation of the landlord's premises, only physical force can remove him if he does not desire to vacate the premises notwithstanding that his rent is in arrear. On the other hand, a supplier of goods can always stop further supplies to a slow payer, and thus know the limit of his possible loss. Not so the landlord. Therefore he appears to be entitled to his special rights, but I repeat, he is not a preferential creditor.

These are his special rights:—

He may distrain for all arrears of rent, but "if the distress for rent be levied after the commencement of bankruptcy, it shall be available only for six months rent accrued due prior to the date of the order of adjudication, and shall not be available for rent payable in respect of any period subsequent to the date when the distress was levied." (Sect. 35, Bankruptcy Act, 1914.)

"If the distress for rent be levied within three months next before the date of the receiving order the proceeds of sale are liable to the claims of the preferential creditors." (Sect. 33 (4), Bankruptcy Act, 1914.)

After the making of the order of adjudication the landlord may distrain for rent due since the last quarter day before adjudication. If distress has already been levied between the commencement of the bankruptcy and adjudication he may further distrain for rent due since the adjudication. After the commencement of bankruptcy a landlord cannot distrain for rent in advance.

There are a number of complications that can arise with regard to the claim of a landlord, and you will bear in mind that the debtor may have suffered previous financial difficulties immediately preceding his actual bankruptcy, such as, one or more executions having been

levied upon his goods by creditors who were unable to obtain payment of their accounts, and these may have a distinct bearing upon the claim of the landlord and how the same is to be dealt with in the bankruptcy.

Any attempt to go into these aspects will, I fear, confuse you, but in practice where any complication presented itself you would not hesitate to invoke the services of a member of our friends in the legal profession.

Under the Deeds of Arrangement Act, 1914, no power to disclaim a lease exists; therefore all deeds of assignment conveniently contain a clause excluding leases, shares not fully paid up, contracts containing onerous covenants, &c., which relieves the trustee from future liability. Therefore, should the landlord not be satisfied with the trustee's suggestions regarding his claim for rent, he would be left to deal with the debtor who has divested himself of all assets in favour of his trustee. It should now be clear that under a deed of assignment the trustee endeavours to compromise with the landlord on the basis of bankruptcy, and if he will not accept the proposals made to him he can obtain nothing, for his only redress is against a penniless debtor; unless he is desirous of making him bankrupt, when, upon the deed of assignment becoming void, he would ultimately be entitled to be dealt with precisely as was suggested in the first place if the deed trustee had correctly construed the provisions of the Bankruptcy Act, 1914, as far as the same relates to the claims of landlords.

You may wonder whether the same provisions are followed in liquidations. The answer is "No," and it is most important to remember that, although a landlord can effectively distrain after the commencement of bankruptcy, he cannot do so in liquidation. (See Sect. 174, The Companies Act, 1929.)

Should the landlord attempt to distrain in liquidation an application to the Court by the liquidator requesting that the landlord be restrained would probably be granted, but it is important to note that if the assets are charged such as to debenture holders, and the Court is satisfied that there will be no surplus available for the unsecured creditors, the landlord will not be restrained.

One of the most extraordinary effects of the Companies Act, 1929, with regard to winding-up is the fact that, whilst it may prohibit a landlord from effectively distraining after the commencement of liquidation, and defines the commencement as the presentation of the petition in a compulsory winding-up and the passing of the resolution for winding-up in a voluntary liquidation, sect. 238 of the Act very clearly instructs the company proposing to go into liquidation that it must send to the creditors by post a notice of the meeting of creditors simultaneously with the notices sent to the members. The effect, as you can see, means that the landlord as a creditor receives a notice of intended liquidation prior to the commencement; therefore, if he acts promptly and distrains for his rent he cannot be restrained, simply because his action is prior to the commencement of liquidation.

FRAUDULENT PREFERENCE.

Let us now forget rent and pass on to an even more complicated subject, viz., fraudulent preferences. Any person engaged in insolvency practice would find no difficulty in addressing you for hours on this subject alone; therefore, I propose merely to indicate that recent legal decisions are such that it is becoming more and more difficult for a trustee or liquidator to prove that a fraudulent preference has been accorded any creditor.

In *re Lyons*, reported early this year, the debtor had, prior to his failure, continued to pay into the bank in the ordinary way, but he stopped drawing cheques and

thus reduced his overdraft which was guaranteed by a third party. The Court of Appeal held that in the absence of direct evidence of an intent to prefer, the action of the debtor was not sufficient to justify an inference of intent to prefer the guarantor of the overdraft.

You all know that I now stand here, but to prove it will not be an easy task, if you take a sheet of paper and endeavour to reduce to writing a statement which proves conclusively that I was standing at a given time; you will appreciate the force of my argument; in the absence of the printed evidence available, less still could you prove what was the intention in my mind when I came in, yet it was all so obvious that my intention was to address you.

Notwithstanding the provisions of sect. 44 of the Bankruptcy Act, 1914, unless a debtor admits on oath that he intended to prefer a stated creditor, his trustee must give the most careful consideration to the situation before advising incurring expense in commencing proceedings to establish that a given creditor has been preferred. Before I pass on I commend to your earnest study a quiet reflection upon the words "evidence of intent to prefer."

POINTS FOR TRUSTEES AND LIQUIDATORS TO BEAR IN MIND.

I will now deal with an aspect of insolvency work which will relieve us from deep thinking for the time being. We all hope that success will attend your efforts at your examinations, and doubtless some of you will have the courage to commence in practice on your own account. You may have opportunities of dealing with insolvency cases, and the following should be borne in mind. The creditors must not only be considered but consulted as to their wishes, and I do not think that an accountant or solicitor should attempt to dictate the course of action to be followed; if asked to advise by all means do so, but it is wise to remember that some creditors possess a wide and sound knowledge of insolvency practice, and from experience can foresee the result of following any particular course, with regard not only to the realisation of assets but also of commencing proceedings against my parties.

There is in the City of London and elsewhere a minor class of so-called business men who are always on the look out for bargains, and it is amazing how quickly they learn of an accountant's appointment as trustee or liquidator. One has to beware of the gentleman who offers you a Corona cigar the first time he meets you and states it would be his pleasure to buy you a new silk hat if he could purchase the stock for £X, his offer being open for 48 hours only, because he has other propositions before him which really are much better. It is not wise to accept any offers for the assets without the approval of the creditors or the committee of inspection appointed by them.

If there is a staff of employees at the insolvent business they will be looking to you to save them their berths, and if a sale of the business as a going concern can be effected you will earn their everlasting thanks. An honest debtor whose failure is brought about by sheer misfortune deserves the sympathy of all concerned; doubtless, prior to the meeting of creditors he suffered numerous sleepless nights, and you will treat him with all gentleness. It is necessary to be fearless with other types of debtor.

A first-class knowledge of accountancy will not assist you when confronted with a debtor who threatens to take his life in your presence; neither will it help you to excuse yourself in the eyes of the Board of Trade if you fail to

comply with the rules and regulations of that august body.

I am afraid that the foregoing sounds rather personal, but you appreciate that I do not intend any remark to be personal, but I am most anxious that you should understand what you may meet and expect when dealing with an insolvent estate.

The Board of Trade is a Government Department, and the section dealing with trustees and liquidators constitutes the creditors' greatest safeguard against anything going wrong in a bankruptcy or compulsory liquidation. The officials deserve the highest praise from our profession, for no trustee or liquidator who seeks guidance from the Board of Trade is ever turned away. In consequence, no sympathy can be extended to those who endeavour to ignore the existence of the Board.

DIFFERENCES IN BANKRUPTCY AND LIQUIDATION PROCEDURE.

Doubtless you expect to hear whether those engaged in insolvency work consider that the existing provisions leave anything to be desired. There are a number of irritating differences in practice which cause unnecessary annoyance to creditors and others.

I will endeavour to give you some examples:—

(1) A creditor has two claims, one against a bankrupt and one against a limited company, both being in respect of High Court matters. He must prove his debt in each case in statutory form, and should he swear the documents before a Justice of the Peace, the Bankruptcy Court, No. 31, Carey Street, W.C.1, will duly accept the bankruptcy proof of debt, but the Companies Winding-up Department, on the other side of the road, No. 33, Carey Street, W.C.1, will decline to accept the company proof until it has been sworn before a commissioner for oaths, or other person authorised to administer oaths.

(2) If the claims are in excess of £2 a 1s. companies winding-up stamp has to be affixed to the proof against the company, but a 1s. 6d. bankruptcy stamp is required for the bankruptcy proof of debt.

(3) At the first meeting of creditors in a compulsory liquidation the Official Receiver very properly permits the creditors to ask questions of the directors and other persons, but on the other side of the road there is a tendency on the part of some Official Receivers or their assistants to discourage any questions, notwithstanding the provisions of sect. 22 of the Bankruptcy Act, requiring debtors to be in attendance for submission to examination and to give information which the meeting may require. The City does not appreciate this, neither do creditors who travel many miles to attend a meeting of creditors in bankruptcy in the High Court. They cannot justify the time and expense necessary to attend the public examination, and merely to hear the Official Receiver at the first meeting read through some notes taken down from the debtor is not considered satisfactory. It is all too frequent that no statement of affairs has been circulated to the creditors or even lodged in Court, and no reasons are given to the creditors why such vital information is not available as it should be as laid down in the Bankruptcy Act.

(4) Members' voluntary liquidation is another source of severe complaint by creditors.

No notices to the creditors of any kind are necessary; in consequence they are frequently not kept informed. The liquidator appointed by the members may out of courtesy inform the creditors of his appointment, and the creditors must then assume that within twelve months they will receive their claims in full. This is merely

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because the directors have made a statutory declaration under sect. 230 of the 1929 Act, to the effect that they have made a full inquiry into the affairs of the company, and that having done so they have formed the opinion that the company will be able to pay its debts in full within twelve months from the commencement of the winding-up.

What a loophole this has proved to be! In one such case the creditors who were public spirited commenced proceedings under sect. 252 of the Act, and obtained a compulsory winding-up order; they then proceeded to investigate the case through the liquidator in the compulsory winding-up. It was found that not only had the liquidator in the members' voluntary liquidation failed to appreciate his duties, but that the company had offended against the law for years in several technical matters, and the result was a very substantial claim awarded against the only director of the company, who was himself appointed liquidator in the members' voluntary liquidation. The director was unable to meet the judgment awarded against him. The creditors had received 5s. in the £ on account of their debts in a period of eighteen months under the members' voluntary liquidation, whereas it was estimated that had a creditors' voluntary liquidation or compulsory liquidation taken place at the commencement an expert would have produced not less than 12s. 6d. in the £. The creditors had to finance all proceedings out of their own pockets owing to the default of the director-liquidator, who failed to meet the judgment awarded against him; in consequence, can it be wondered the creditors felt extremely grieved that the law contained such a weakness which could have such disastrous results notwithstanding their united efforts to remedy a wrong? If you are sufficiently interested in this particular case you will find it fully reported in the *Accountant*, July 1st, 1933, pages 29 to 36. It will give you a very clear indication that the insolvency practitioner must keep himself fully informed of all matters appertaining to each branch of accountancy work.

(5) A creditor with a claim exceeding £50 can demand a receiving order in bankruptcy against his debtor, but if his claim is against a limited company he cannot demand a winding-up order. I cannot enter into the extremely controversial aspect as to whether a creditor ought to be granted a receiving order against his debtor if all the other creditors have expressed their willingness for the matter to be dealt with under a deed of assignment; the fact remains that he can demand and obtain a receiving order, whereas in company matters a creditor's demand for a winding-up order will not necessarily be granted.

One interesting point, however, is that in connection with companies the Courts adopt the procedure of dealing with each case upon its merits, and if it can be proved that a majority of the creditors had previously voted in favour of the continuance of a voluntary liquidation, no winding-up order is likely to be made. I confess that I am quite unable to reconcile this with sect. 253 of the 1929 Act, which states in no uncertain terms that "the winding-up of a company shall not bar the right of any creditor or contributory to have it wound up by the Court, but in the case of an application by a contributory, the Court must be satisfied that the rights of the contributories will be prejudiced by a voluntary winding-up."

The section itself goes out of the way to explain that it is only a contributory who is called upon to satisfy the Court that the rights of the contributories will be prejudiced by a voluntary winding-up; therefore I am entirely unable to understand why Company Law procedure differs from Bankruptcy Law procedure in this direction.

INCOME TAX.

The following will, I am sure, interest the majority of you as much, if not more so, than it does creditors. You are aware that the income of a wife is deemed to be the income of the husband for the purpose of ascertaining his total liability to income tax.

It is not infrequent for a trustee to be informed that the house in which the bankrupt lives is claimed by the wife as her property, also the furniture and effects contained therein, but the Inland Revenue Authorities can take no steps to obtain satisfaction of an outstanding Schedule "A" assessment, other than to claim preferential treatment in the husband's bankruptcy.

As you are aware, income tax is assessed upon a trader under Schedule "D," the basis of assessment being the profits derived from the carrying on of his business. A frequent feature of insolvency matters is the debtor's excessive drawings; it is not uncommon in the many unsatisfactory failures of these times to learn that, notwithstanding trading losses for years past, the debtor has drawn upwards of £1,000 per annum. Here you have a man living in the lap of luxury or secretly amassing substantial sums, who, by reason of making no profits, pays no income tax, and in my view imprisonment is the only punishment which fits the crime.

You may doubt whether such things are done, but I am very much afraid they are, and when one further considers that these practices are often carried out by people who were not born within these shores and that when they arrived they could not speak our "tongue," the question arises how do they obtain the knowledge how to effect such swindles? The answer is: They have not the slightest difficulty in obtaining expert advice, and the only way to stop them is for suppliers to give no rope, and instead of increasing credit facilities to the trader who states that owing to expansion of business he must have longer credit, whereas he is secretly carefully planning his failure, his credit should be severely curtailed.

A trader who desires to expand his business should do so out of profits or by obtaining private finance. He certainly should not expect his suppliers to provide his finance by way of extended credit.

I would, indeed, be most interested to hear an answer given in the House of Commons to such a question as this:—

"How many bankruptcies have been registered in the High Court during each of the past five years, giving the number applicable to British-born subjects in each year, likewise the percentage of unsatisfactory failures in each class?"

DEBENTURES.

Debentures, of course, constitute a standing complaint by creditors of limited liability companies, but since any discussion upon this subject would take a considerable time, I think it will suffice if we remind ourselves that frequently it is the creditors who are to blame for being "caught" with debentures standing in front of them. A valid debenture is recorded at Somerset House, and, if creditors will allow credit to a one-man company with debentures registered in favour of the virtual owner of the business, why should they blame the law? You appreciate that creditors may, however, be quite helpless in the matter if debentures are issued whilst there are outstanding accounts which may or may not be due for payment; therefore, some protection should be afforded them, and I think this could be met by a provision that debentures issued, no matter for what consideration, should be invalid against any claims against the company then outstanding, whether due for payment or not, or

created within one month after the registration of such debentures.

The foregoing would be of much greater advantage to creditors than sect. 266 of the Companies Act, 1929, which invalidates, except to the extent of any cash paid to the company at the time, any floating charge given on a company's assets within six months of the commencement of winding up, unless it can be proved that immediately after the creation of the charge the company was solvent. It has been the practice of debenture holders to defeat this section by merely deferring the appointment of a receiver until a few days after the expiration of six months from the date of issue. Until the law is amended creditors should, upon knowledge of the registration of debentures, demand payment of any outstanding account, and require the directors' personal guarantee for future accounts if they strongly resent debentures.

I must say that as companies who reduce their capital are compelled to insert the words "and Reduced" in their name, I see no reason why companies with debentures registered on the file at Somerset House should not be called upon to so indicate either in their name, or by reference on all printed matter, such as order forms, invoices, statements, letters, &c.

DECEASED INSOLVENTS.

Even the affairs of a deceased person can be made subject to the Bankruptcy Law. An administration order granted under sect. 130 of the Bankruptcy Act, 1914, has proved to be very useful to creditors when unable to obtain payment of a debt due from a debtor who subsequently dies. This section permits of the affairs of a deceased person to be wound up just as though a receiving order in bankruptcy had been made against him, but, presumably out of respect for the deceased, the word bankruptcy is left out of all proceedings and is substituted by the word "administration." The person appointed to administer the estate is called an administrator. Of course, no public examination can take place, and the misfeasances and misdemeanours enumerated in the Bankruptcy Act cannot apply to the affairs of a deceased person.

Proper funeral and testamentary expenses naturally become preferential creditors. The effect of an administration order is to secure for the creditors an equal distribution of the assets of the deceased through the medium of their own nominee if they so desire. One of the main reasons why no time should be lost by creditors in obtaining an administration order is to prevent an executor from exercising his right of retainer and the right to prefer a creditor of the same degree to another.

In practice, creditors have due regard to the wishes of the wife and children, and will refrain from proceeding to obtain an administration order, provided that:—

(a) A written undertaking is given by the legal personal representative that the estate will be wound up just as though an administration order had been made.

(b) No assets will be disposed of prior to the creditors, or an informal committee appointed by them, giving their approval. The procedure followed is usually upon the lines that a nominee of the creditors instructs the legal personal representative in all actions necessary for the realisation and distribution of the assets amongst the creditors.

GENERAL OBSERVATIONS.

I feel extremely guilty of having roamed all over the place and allowed my address to develop into an informal talk on the subject rather than to be specific and educational from an examinee's point of view, but in looking a little further ahead so far as you are concerned, perhaps

no harm has been done in giving you a broad and general outline of some of the developments which can, and do, arise in practice. I feel, however, that I cannot close without referring to the subject of solicitation. The law is very clear on the point that solicitation cannot be recognised in any form. You appreciate that an accountant, whose client has suffered a bad debt and expressed the desire that he would like him to be appointed in the matter must do nothing. No; he must not even tell any other creditor of his client's wishes regarding the case. How then, can he hope that he may have the good fortune to be appointed? Imagine the position if each creditor completed a proxy form in favour of the appointment of his accountant.

In Court cases it would be more satisfactory if the Official Receiver would call, say, the six largest creditors to a conference, and invite them to express their views as to the appointment of trustee or liquidator, and permit a communication in writing to all creditors giving the result of the conference. If this procedure were followed, I do not see how our great profession could be made the subject of attacks regarding solicitation for appointment in insolvency cases. Cases outside the Court could follow this procedure, the debtor's accountant or solicitor being substituted for the Official Receiver.

I cannot miss the opportunity of reminding you that there are many Trade Protection Societies in this country, some of which are extremely good, but in practice it is found that quite a number are in close competition with qualified accountants for insolvency work. The information which comes to them as Trade Protection Societies often proves extremely valuable should a meeting of creditors be held, but there is no reason why accountants should play straight into their hands.

If an accountant has the support of the principal trade creditors it is unwise to listen to overtures made to disclose the names of creditors prior to a meeting of creditors being held. The information contained in the list of creditors is of vital importance, and a premature disclosure of the contents may lead to activity which will displace the accountant supplying the information.

A number of trades in this country follow a principle of supporting the nominee of the largest trade creditor for the appointment of trustee or liquidator, and I leave it to you to consider whether the objections to this practice (if any) are outweighed by the advantages (if any). The conduct experienced at a meeting of creditors in a trade where no particular principle is followed often leaves much to be desired.

A reprehensible practice I desire to bring to your notice is the selling of support for the appointment of trustee or liquidator. Any accountant, solicitor, or other person who is a party to selling his client's or member's support to the highest bidder is a disgrace to his profession, trade or calling, and this includes creditors or their duly authorised representatives, who only give their proxies or support upon receipt of a monetary payment. I likewise cannot approve the professional committee man; creditors should accept office on the committee of inspection; if they desire that they should be otherwise represented at committee meetings, so well and good, but they should be the named members of the committee. It is to be preferred that the fixing of the trustee's or liquidator's remuneration by the committee of inspection should not be influenced by so-called professional men who may have previously talked to the trustee or liquidator.

Remember that only out-of-pocket expenses, previously approved by the Board of Trade, may be paid to members of the committee of inspection in bankruptcy and com-

pulsory liquidation matters, and that all high principled professional men strictly follow this procedure in matters dealt with outside the Court. It is the duty of accountants and solicitors always to keep in mind that it is the creditors' money which is at stake, and it is primarily their wishes which must be considered.

If I have succeeded in interesting you, no matter how little, then indeed I am well rewarded, and in conclusion I would like to tell you that the public and business community hold our profession in very high esteem, and I am sure that when your turn comes to join the ranks of qualified men you would countenance nothing which would in the slightest degree reflect upon the prestige of the accountancy profession.

Discussion.

Mr. L. I. PRAGER (Incorporated Accountant): I should like to refer to the point Mr. Hussey made with regard to the landlord. Can he tell me what is the position of a trustee appointed under a Deed of Assignment who takes possession of the goods of a debtor, in order, shall I say, to safeguard those goods from the landlord's right of distraint for rent due?

Mr. HUSSEY: I take it you are referring to the mere operation of a trustee appointed under a Deed of Assignment going to the debtor's premises and removing the effects. You want to know what happens when the landlord asks about his rent? The only thing that the landlord can do is to notify the trustee under the Deed of Assignment of his claim. The trustee should, of course, be very careful how he writes to the landlord, because he wants his assent to the Deed. If he should offend the landlord, the landlord might say: "I am not going to be dictated to, and I shall have this matter dealt with in bankruptcy," and he would file a petition in bankruptcy. But assuming that you obtain his assent to the deed, whatever may be his claim it ranks for dividend only. The terms of the lease are ignored, but it is usual to admit an additional claim for a further six months rent and reasonable dilapidations, each to rank for dividend only.

Mr. J. F. T. BROWNING: I cannot quite follow the Lecturer's criticism of the excuse of the farmer whose crops are completely ruined by the weather, and what supply and demand have got to do with it! If the poor farmer has had to buy cereals to feed his cattle, surely he has been hard hit. Secondly, Mr. Hussey laid stress on the words, "and reduced," after the name of a company and on all its documents. I believe my textbook, or the study notes emphasise that this is only if the Court consider it advisable, and that now it is rarely insisted upon.

Mr. HUSSEY: I am sorry if the use by a company of the words, "and reduced," has been discouraged or allowed to fall out of general practice. Let us assume, however, that it is not necessary for a company that reduces its capital to use those words. Is that an excuse for not making some provision to protect creditors if there is a debenture in existence? A creditor should be safeguarded against supplying goods to a company which might at any moment suddenly announce that a debenture holder has appointed a receiver, who comes in front of all creditors. The subject matter of a debenture, as I indicated, is one which could be discussed at length, and I have only attempted to introduce some thoughts with regard to the matter generally, because it is a very serious complaint by creditors. I think you will agree with me that something should be done. With regard to the other question about the farmer—I am afraid I know little about farming, and perhaps it would have been wiser if I had left that out.

Mr. ARNOLD BIDDLE (Solicitor): There are just one or two points I should like to mention, and one is with regard to sect. 230 of the Companies Act, where it is proposed to wind up voluntarily. Mr. Hussey has already

referred to the statutory declaration which directors can make in order to constitute a members' winding up. You will notice that that declaration has to be made at a board meeting. I generally import the Commissioner into the board meeting and get the declaration made there. Some day that will come up for decision. It is not generally appreciated, I think, and in many cases directors are allowed to make their declaration when and where they like so long as it is filed at Somerset House. I always feel there is a serious anomaly in sect. 238 of the Companies Act; that is the section under which it is provided that a company shall call a meeting of its creditors, and shall cause the notices to be sent out by post simultaneously with the notice convening a meeting of the members. If the company does not send out those notices, the people who suffer are the creditors; they do not have the opportunity of setting aside the liquidator appointed by the members. If the company fails to do this, the Act provides a penalty of £100. Now consider the position of the company. It is insolvent on the facts of the case, and all its assets are really the assets of the creditors, yet the remedy the Law offers for the company's default is to take away from the creditors £100—a very strange provision when you come to consider it. With reference to the question of fraudulent preference, the Bench in the course of many decisions has warped the section until it is very nearly useless. Just take the wording of sect. 44 of the Bankruptcy Act: "Every conveyance or transfer of property by any person, except to pay his debts as they become due, in favour of any creditor with a view to giving such creditor a preference shall be deemed fraudulent and void." If you go to your textbooks you will find that "dominant motive" has to be proved: the giving of a preference has to be the dominant motive. There is, however, nothing about that in the Act; it has gradually developed. The trustee has to prove first of all that the debtor was insolvent and that he knew he was insolvent, and that a preference was given. Then the onus of proof changes, and it rests with the creditor. The creditor has an opportunity of proving that there were other motives at work and that the motive which operated actually, the dominant motive, was not to prefer a particular creditor. That works very unfairly in some instances. Let me take a case which I had fairly recently. A man of property in the country had a very considerable landed estate. As a matter of fact he was in an insolvent condition, and had misappropriated trust funds to a very large extent. On the eve of his bankruptcy he transferred three large estates to the trustees of the settlement which he had defrauded, and, acting for the trustee in bankruptcy, we could do nothing whatever. If we had taken proceedings on that preference it would have been an easy matter for the trustees who were the preferred creditors to show that what the debtor had done he had done to prevent his getting a long term of imprisonment. Therefore his dominant motive, it would have been argued, was to benefit not the creditors who received the preference, but himself. But unless he benefited those creditors it is quite clear that his dominant purpose would not have been attained. He must, to use the wording of the Act, have been intending to prefer a creditor. I would advise you, when you become qualified, to be very careful of sect. 44. Creditors will urge you to take proceedings under that section, but it has too many loopholes. You may have what is apparently a clear case of preference, but you will find that the preferred creditor is able to prove that there has been an agreement—say six months previously—to give the preference. That is quite an understandable thing when the agreement is in writing, but it has been extended, and I have known cases where creditors have been allowed to go into the box and give evidence that there was a verbal agreement.

Mr. E. T. A. PHILLIPS: When Mr. Hussey asked me to come here, as he said, to support him, I expected I was going to be put into the stocks because I represent the Companies Winding-up Department, but I find I was wrong. At any rate, the stocks are very nicely upholstered. I think I am right in saying that all his criticisms

have been directed, not at the practice of my department, but at the laws and rules which govern that department, for which I am glad to say I am not responsible. I very much sympathise with his criticism of the fact that a proof of debt in bankruptcy may be sworn before a J.P., although in the Companies Winding-up Court it cannot be. That, unfortunately, is the law. I regret the fact that a stamp on a proof of debt in the case of companies is only 1s. That, I hope, will be remedied very soon. Difficulties I know have arisen with regard to Rule 149 as to soliciting for the appointment of a liquidator. There, again, we are bound by the rule. The rule, unfortunately, is not confined to a liquidator, or an accountant, or anyone else soliciting for his own appointment, but it is any solicitation by or on behalf of a prospective liquidator which is aimed at by the rule. In some cases the accountant may be of the very highest standing, and he may know nothing at all about it, yet if there has been solicitation on his behalf that has to be brought to the notice of the Court. In one case that I have in mind the Court said: "Never mind, we will appoint him"—and the Court was perfectly right in that case. The rule does not say that he shall not be appointed, it only says that the Court may order that he shall not have any remuneration. I sometimes think that, in a gross case, the Court would be well advised if it were to appoint the liquidator and then when he has done his work say to him, "There is no remuneration for you." A friend of mine who is a solicitor told me a short time ago that he presented a bankruptcy petition on behalf of a lady client, and shortly after that an accountant whose name was well known called upon him and said: "I hope you will get your client to give a proxy for my appointment as trustee." My friend the solicitor pointed out to him the rule against soliciting, and he shrugged his shoulders and said: "Of course, if you take that view, I have nothing more to say to you," and he went away. But he did not go quite away; he went to my friend's client and got a proxy from her behind the solicitor's back. That is one of the bad things which make these very hard rules necessary. I hope that in some future alteration of the law that point will be dealt with and made a little more fair to practising accountants of high repute. I do not know that I should entirely welcome Mr. Hussey's suggestion of a preliminary meeting of the six principal creditors. We have plenty to do without calling preliminary meetings. But, quite apart from that, it is not always the principal creditors who are the people who are most hurt. It may be that they are the biggest creditors because they have been the biggest fools and have given more credit than they should have given. It may be that a smaller creditor has suffered much more heavily in the liquidation, although he is a better business man. I think it would be very difficult for Official Receivers to pick out six creditors and give them the power to nominate the liquidator. Perhaps some better method may yet be discovered. I was very glad to hear Mr. Hussey speak of those miserable liquidations where there has been a declaration of solvency. The only comfort I can give you—in case you do not know it—is that we did some time ago have a successful prosecution of a man for perjury—for making a false declaration of solvency. We had been advised several times that we would not get away with it, but, fortunately, a case came along in which there was another offence, and the man was convicted on both counts.

Mr. D. MAHONY: It is rather difficult for me to speak following the Official Receiver. Mr. Hussey raised the question of differences of procedure in liquidation and bankruptcy at first meetings of creditors. He said that in the Bankruptcy Court you are not allowed to ask questions if you are a creditor, but in the Companies Court you may ask what questions you like. I think probably the reason for that is that in bankruptcy there is a provision for public examination whilst in company cases there is no public examination unless fraud is alleged; and the Official Receivers in bankruptcy are rather inclined to tell creditors that their opportunity to ask questions will come at the public examination. I think that if in the Companies Department there was a public

examination, it would help outside liquidators very greatly in administration. If we (as outside liquidators) want a statement from a director, we are told that we have to ask him questions, and whatever he says to us—whether he is put on oath or not—if it is not true, will amount to perjury. But the effect of that is not much use in practice. You may ask a man questions, and you may take a statement from him, but he will probably refuse to sign the statement, and will afterwards deny the answers he has given to the questions. When you are bringing an action afterwards to recover assets or for other purposes you find that you have not got the evidence that would have been available to you if you had a public examination the same as in bankruptcy. With regard to a members' voluntary winding-up, I think that where a liquidator is appointed and he suddenly discovers that the directors were wrong in their anticipation of the value of the assets, his remedy is to immediately call a meeting of the creditors. I have found in one or two cases I dealt with myself that the creditors were very ready to leave the administration of the estate with me and to appoint a Committee of Inspection to advise. The only other remedy, so I understand, for creditors in the case of a members' voluntary winding-up is to petition for compulsory liquidation. There is one other point I wish to mention in case there may be some official from the Audit Department of the Board of Trade here. I should like him to answer this question for me. I had a case not long ago in which there was an anticipated surplus of assets over the claim of the landlord, but it so happened that when the landlord had realised the assets there was nothing left. I had in the meantime been appointed trustee, and I had no assets to take over, but I still had to do my work as trustee—make returns to the Board of Trade, and so forth. I looked into the matter carefully and, so I thought, could not see that there was anything violently fraudulent, or anything to show that it would pay the creditors to finance an action to recover assets, so I just let the matter rest. I had, in fact, almost forgotten about it until on the first audit I got a note from the Board of Trade saying that the landlord had recovered so and so in the bankruptcy out of which he should have paid the preferential creditors. The note said in effect: "You recover from the landlord the amount of the preferential creditors' claims and pay it over to the preferential creditors." I immediately wrote to the landlord. The landlord passed the matter over to one of his friends in the legal profession. This legal friend of the landlord telephoned me to say that I was wrong. He had had two cases of this kind before, and had taken Counsel's opinion. Counsel said that it was not the landlord who was charged with the repayment of the money, but the proceeds of the sale, and the proceeds of the sale having gone out of the sheriff's hands, the landlord was entitled to the money. I have no funds in the estate with which to pay my friends in the legal profession, and they do not like working for nothing, and I am in a difficulty. I will say that the Board of Trade are extremely fair in their criticisms, but there are quite a number of questions which they raise at times which put the onus on a trustee of deciding for himself what are really legal matters. When you say you are not a lawyer, they reply that the Act says so, and you are left to do the best you can. I am glad Mr. Hussey raised the point about a £50 creditor being entitled to a receiving order in bankruptcy in contrast to a creditor in companies liquidation who must have the support of a majority of the creditors to obtain a winding-up order. One of the difficulties we meet with in deeds of arrangement is that no creditor is bound to accept a deed even though a majority of the creditors want it. There are some creditors who will go to an unfortunate debtor, who probably has just enough to pay the 7s. 6d. in the £ that he is asked for, and say to him: "Unless you give us 10s. in the £ we are going to make you bankrupt." I know of a case where there were liabilities of £50,000, and one creditor for £200 took that procedure and succeeded in forcing a bankruptcy against the wishes of all the other creditors. That rather opens the way to legal blackmail on the part of the creditor.

Mr. HUSSEY: The remedy for Mr. Mahony's problem regarding the landlord and preferential creditors would be to inform the preferential creditors of the fact, and let them take proceedings against the landlord if they so desired.

Votes of thanks to the Lecturer and Chairman terminated the proceedings.

NEGLIGENCE CHARGE AGAINST A RECEIVER AND MANAGER.

In the King's Bench Division on November 10th, Mr. Justice Charles heard an action brought by Mr. Ernest Arthur Faux, residing at the Parade, Ardleigh Green Road, Romford, Essex, claiming damages for alleged negligence from the defendant, Mr. Harry Gordon, accountant, of Whitechapel Road, London, E.

Mr. Faux had a debenture for £400 for money lent to a firm of builders' merchants, Messrs. E. R. Dyer & Co., of Romford.

In October, 1934, Mr. Gordon was appointed receiver and manager of this business and Mr. Faux's charges of negligence arose out of Mr. Gordon's subsequent conduct of its affairs.

Mr. Gordon denied any negligence and also said that the allegations of Mr. Faux were untrue.

Mr. Justice Charles in his judgment referred to the fact that Mr. Gordon had accepted post-dated cheques for the payment of stock belonging to Messrs. Dyer which were to be repaid from retention money expected by the buyers on contracts. The cheques were not met, and in all the circumstances it was not surprising that Mr. Gordon was relieved of his receivership.

The Judge added that he had no doubt upon the evidence that Mr. Gordon was grossly negligent in the carrying out of his duties as receiver, and the result of his negligence was that Mr. Faux, who had lent the firm £400, had not got his money back. The goods left in the hands of Mr. Gordon as receiver were said to be of the value of £343. As a receiver his duty was to have realised on them, but he did nothing of the sort, with the result that Mr. Faux had suffered directly through the conduct of Mr. Gordon. Judgment would be in favour of Mr. Faux for £343 and costs.

Mr. Trapnell referred to the fact that there had been an agreed judgment for £75 and costs against Mr. Dyer, who was originally a co-defendant with Mr. Gordon.

The Institute of Arbitrators.

A practice arbitration of a special nature will be held on Tuesday, December 3rd, at 6 p.m., at Incorporated Accountants' Hall.

Those taking part in the arbitration are all members of the Institute, the arbitrator being Mr. R. W. L. Clench (the Secretary), and the parties, Mr. Howard Button (a member of the Council) and Mr. K. R. Gray (a member of the Sub-Committee). The arbitrator will be supported by a legal assessor, Mr. Sydney E. Redfern, LL.B. (solicitor to the Institute), and the award will be made immediately after the hearing. There will be time for a discussion.

The subject matter is one of general interest, being a dispute between two commercial men. A special feature of this arbitration is the prominence which will be given to a number of errors in procedure.

The conduct of the practice arbitration and the subject matter of the dispute will be of interest to all irrespective of their vocation.

Reviews.

Income Tax Law and Practice. 8th Edition. By Cecil A. Newport and Ronald Staples. London: Sweet & Maxwell, Ltd., 2-3, Chancery Lane, W.C.2. (360 pp. Price 10s. 6d. net.)

One feature of this book is the numerous examples which are worked out in illustration of the text; another is that it contains information on difficult points which are not always to be found in other books on the subject. Every aspect of Income Tax comes under review and full information, in a form which is easily understood, can always be relied upon.

Rates and Taxes. By J. H. Burton, Incorporated Accountant. London: P. S. King & Son, Ltd., Orchard House, Westminster, S.W.1. (140 pp. Price 3s. 6d. net.)

This little book gives in simple language some useful advice on the making of Income Tax returns, appeals against assessments, and claims for repayment of tax. There are also chapters on Dominion Income Tax Relief and Irish Free State Tax Relief. Information is likewise given as to collection and recovery of rates and other points relating to rating procedure.

The Bills of Exchange Act, 1882. Second Edition. By Maurice Megrah, M.Com. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (224 pp. Price 6s. net.)

Without going into exhaustive details, the author of this book (who is the Secretary of the Institute of Bankers) gives a comprehensive and well-arranged summary of the law which governs Bills of Exchange. Apart from the chapters which deal with the ordinary incidents of Bills of Exchange, attention is given to lost instruments and the conflict of laws in the case of foreign bills. A separate chapter is devoted to cheques and another to instruments analogous to cheques, including cheques with receipt forms attached, dividend and interest warrants, orders by local authorities, &c.

The Practice Relating to Debentures. By Thomas Froude and E. V. E. White, B.A. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (142 pp. Price 7s. 6d. net.)

Receivers for debenture holders and officers of companies will find in this book much useful information with regard to their rights and duties, together with references to sources of information of a more detailed character. The aim of the authors has been to compress into a small space as much information as possible, and at the same time to help receivers for debenture holders to solve some of their difficulties. Amongst other matters the re-issue of debentures is explained and also their redemption and enforcement, whilst the appendix contains many forms relating to the creation of debentures, the issue of scrip certificates, the particulars to be delivered to the Registrar of Companies, the satisfaction of mortgages and charges,

the accounts of receivers and managers, &c., also a specimen policy of sinking fund insurance.

Kerr on Receivers. 10th Edition. By F. C. Watmough, B.A., Barrister-at-Law. London: Sweet and Maxwell, Ltd., 2 and 3, Chancery Lane, W.C.2. (480 pp. Price 18s. net.)

This is an exhaustive treatise on the subject of receivers. Apart from minor alterations on the text of the previous edition, a chapter is added dealing with the Law Reform (Married Women and Tortfeasors) Act, 1935, and reference is made to the statutory power to appoint a receiver which has been conferred by the Arbitration Act, 1934. Full information is given with regard to the form of a receiver's accounts and the passing of those accounts by the Master, also as to the receiver's powers, duties and liabilities and procedure in obtaining discharge.

Slater's Mercantile Law. 9th Edition. By R. W. Holland, M.A., and R. H. C. Holland, B.A., Barristers-at-Law. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (644 pp. Price 7s. 6d. net.)

The chief alterations in this edition are in relation to the Arbitration Act, 1934, the Law Reform (Miscellaneous Provisions) Act, 1934, and the contractual capacity of corporations resulting from the repeal of sect. 174 of the Public Health Act, 1875. In other respects little alteration has been found necessary. The work is designed primarily as a book for students, and an endeavour has been to make it as precise and simple as possible.

Legal Responsibilities and Rights of Public Accountants. By W. D. Rich. New York: American Institute Publishing Co., Inc. (236 pp. Price \$2.50.)

The rights and duties of public accountants under American Law are fully explained in this treatise, including the public accountant's liability for negligence and fraud, both to his client and to third parties, the admissibility of the public accountant's expert testimony in Court, his rights as regards lien upon his employer's books, &c. In connection with the chapter on liability to third parties, the famous *Ultramares* case is discussed at some length. Altogether the book is a useful compendium of the legal responsibilities and rights of public accountants in America.

Oldham's Guide to Company Secretarial Work. 7th Edition. By G. K. Bucknall, A.C.I.S. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (250 pp. Price 3s. 6d. net.)

Perhaps the most important feature of this book is the large number of specimen forms such as the secretary of a company is likely to require in carrying out his duties day by day. These forms include specimen agenda and minutes of meetings, dividend mandate, letter of indemnity, resolutions of various kinds, rulings of statutory registers, and numerous forms relating to transfers, proxies, debentures, &c. The forms are interspersed with the text to which they relate instead of forming a separate appendix. They are thus more easily accessible for reference.

Local Government Finance.

THE FINANCING OF THE REQUIREMENTS OF LOCAL AUTHORITIES.

A LECTURE delivered at a joint meeting of the Incorporated Accountants' District Society of Manchester and the Manchester Branch of the Chartered Institute of Secretaries, by

Mr. LEWIS LORD, F.S.A.A.
(Borough Treasurer, Stretford.)

Mr. LORD said: Local Government Finance covers such a wide field that it is impossible to deal fully in one lecture with the many matters coming within the ambit of the subject, and it has been thought more desirable to deal at some length with one aspect of the subject rather than to make reference in outline to the many matters which could find a legitimate place under the heading of Local Government Finance. The question of how a local authority obtains and spends its moneys is always a matter of general interest, and it is this feature of the subject which suggests that an appropriate title for the lecture would be "The Financing of the Requirements of Local Authorities."

The extent and variety of the activities of local authorities is not generally appreciated by the "man-in-the-street," but when one considers that the administration of trading undertakings such as Electricity, Gas, Transport, Water, &c., is usually carried out by the local authority, together with the administration of services relating to Education, Public Health, Public Assistance, Highways, Police, Housing, &c., then one is able to visualise the magnitude and variety of the matters entrusted to local authorities.

AUTHORITY FOR AND CLASSIFICATION OF EXPENDITURE.

At the outset it should be realised that a local authority has no power to spend money just as it pleases, but can only incur expenditure on purposes which have been authorised by Parliament. Generally speaking, the authority for the spending of money is contained in Acts of Parliament, which may be either general or local in character. These Acts direct or empower a local authority to carry out certain services and authorise the incurring of expenditure on the administration of such services.

The expenditure of a local authority may be divided into two broad classes, viz.: Capital Expenditure and Revenue Expenditure. Capital expenditure is that incurred for the purpose of creating, acquiring, equipping or extending fixed or permanent assets, by means of which an undertaking or service is carried on. In short, it is expenditure the benefit of which will extend over a period of years. Revenue expenditure is that which is incurred in carrying on the operation for which a concern exists, and generally relates to expenditure incurred for the purpose of earning income or maintaining a service. In the case of revenue expenditure, the benefit relates to the period only in which it is incurred. This difference applies equally to local authorities and commercial undertakings.

POLICY OF FINANCING CAPITAL EXPENDITURE.

It is true to say that no business undertaking can start or continue without capital, and this rule applies also to local government bodies. In the case of a local authority capital expenditure is usually financed by means of borrowing, and the objects of defraying such expenditure out of borrowed moneys are as follows:—

1. To spread the cost of permanent works equitably over the period that will have the benefit of the

expenditure. This has the effect of charging each year's ratepayers with a fair and reasonable proportion of the cost of the works, so that the ratepayers of no particular year are overburdened and made to pay for something for which they cannot have the full benefit.

2. To enable extensive and costly schemes to be carried out which would be impossible if the whole cost had to be defrayed out of current rates.

When a local authority is considering any proposal involving expenditure on capital account it is usual for a report to be prepared showing the probable cost of the works proposed to be undertaken and the annual charge on the rates occasioned thereby. It is also usual for the Finance Committee of the local authority to receive a statement from the department proposing to incur the expenditure giving details of the nature of the work and the estimated total cost of carrying out the proposal. The Finance Committee supplements this statement with information relating to the additional loan charges which will fall on the rates by reason of carrying out the proposed scheme, together with particulars relating to the general financial position of the local authority. In other words, a financial report is prepared setting out the effect of the proposal on the finances of the local authority, both as regards capital and revenue, in order to ascertain whether or not the town's finances will be able to bear the burden of the additional debt and maintenance charges.

The policy of local authorities relating to the financing of capital expenditure and borrowing has in recent years somewhat changed. There has undoubtedly been an extension of the principle of defraying capital expenditure out of revenue and a systematic policy of budgeting for capital expenditure over a period of years. It has become recognised that it is prudent for the local authority to "plan" its capital outlay over a period with the object of equalising the resultant rate charge over a series of years. This involves a careful differentiation between expenditure which is absolutely necessary and that which, although desirable, may be temporarily withheld without detriment to the existing standards of service. At the same time, when capital expenditure is contemplated, such factors as cheap money, low cost of materials, and the availability or otherwise of Government Grants towards the proposed expenditure are taken into account.

MINISTRY OF HEALTH'S REPORT RE BUDGETTING.

This question of budgeting for capital expenditure is a most important one, and the following extract from the Annual Report of the Minister of Health (1929-30) will give you some idea of the importance which is attached to this matter.

"The Minister has emphasised on previous occasions the importance of systematic budgeting for capital expenditure. Progress has been made by local authorities in this direction in recent years, but much more is required. There should be a systematic and considered budgeting for capital as for revenue expenditure. The capital requirements for the year should be thoroughly examined, brought before the Council as a whole in a comprehensive statement, and approved by them, with any amendments deemed desirable. There should be a definite rule that capital expenditure outside the approved programme will not be passed unless convincing exceptional circumstances are shown, and a form of procedure should be adopted which will ensure that the rule is strictly applied. It is not enough to deal as a whole with the capital expenditure of each year, great as is this improvement compared with the primitive system of dealing with each item as it arises.

A still longer survey is required. When each year's capital budget is considered there should be considered at the same time the prospective capital expenditure for at least four years ahead, so that on each occasion there will be at least five years' survey of probable capital commitments. Of course, it will not usually be possible to foretell exactly what will be the capital needs of the next four years, but that is no excuse for not making as accurate a forecast as possible, and the need of looking ahead will be healthy discipline for, and will add to the efficiency of, each Committee and each Department. It is only by a thorough comprehensive survey of this kind that local authorities can hope to keep proper check on capital commitments, can make sure that projects are adopted in proper order of necessity and advantage, and can collate expenditure and means. Every local authority would do well to adopt the practice without delay and to make certain that it is strictly observed."

SANCTION TO BORROW.

Before a local authority can actually borrow money to finance any capital expenditure it is necessary to obtain the sanction of the proper government department unless the express sanction of Parliament has been obtained in a Local Act. The department concerned considers the proposal of the local authority, and if it is satisfied that the scheme should proceed, a sanction to borrow is issued which authorises the local authority to borrow the money to finance the scheme, and also stipulates the period for the repayment of the borrowed money. The period granted usually has some relationship to the estimated life of the asset.

Under the Local Government Act of 1929, the statutory limits of the borrowing powers of local authorities were abolished. Previously there was a limit which was measured by the assessable value of the local authority concerned. In the Annual Report for 1929-30, the Minister of Health when commenting on this matter indicates the policy adopted by his department when dealing with applications for sanctions to loans. He states:

"It is, of course, the duty of each local authority to see that their borrowing is kept within the limits of prudence. This is supplemented by control exercised by government departments. For this purpose the Minister in deciding loan applications takes into account in addition to questions of the necessity, cost, and planning of the works, general considerations of the financial resources of the applicant authority, their existing loan commitments, and the additional burden on the ratepayers involved by the new loan."

In the early part of this Paper a statement was made to the effect that a local authority cannot spend money just as it may please, and the above observations outline the procedure a local authority has to comply with before it receives authority to spend money on schemes which have to be financed out of loan.

METHODS OF BORROWING.

When the necessary authority to borrow has been obtained the next step is to consider how the money is to be raised. The usual methods adopted by local authorities are:—

1. By Issue of Stock.
2. By Issue of Mortgages.
3. By Utilisation of Sinking Funds.
4. By Utilisation of the local authority's own funds, i.e., superannuation moneys.

The most important of the above methods are those relating to the Issue of Stock and the Issue of Mortgages.

The Stock Issue is considered the most important method of raising the capital required by local authorities, not only because large sums can be obtained in a short space of time in consequence of the fact that it appeals to a very wide market, but also because the local authority has the uninterrupted use of the money for, say, 20 years, thereby "funding" a portion of its debt and stabilising the rates of interest thereon for a number of years. It is prudent finance to fund a reasonable proportion of the local authority's debt in order that it may be outside the possibility of a sudden demand for repayment.

In connection with Loans on Mortgage, the loans are secured on the Rates and Revenues of the local authority, and bear a definite rate of interest, and are repayable within a certain time. The loan may be for a long period, or may be what is known as a Short Term Loan, that is, for a period of five, seven or ten years. This short-term form of borrowing gives the local ratepayer the opportunity of investing his savings in his own town, and is a form of investment which is very popular in the majority of the Lancashire and Yorkshire towns. Experience has shown that one of the factors which has made this form of borrowing so popular is that the mortgage is repayable at par within a comparatively short number of years, whereas with stock it may not be repayable at par at the time the lender requires his money.

Thus the raising of loans in order to spread the cost of capital expenditure over a term of years is an indispensable part of the financial machinery of local authorities, without which they would be unable to provide the majority of the essential services of the modern municipality involving heavy capital outlay.

Perhaps at this stage it is interesting to compare the capital of a local authority with the capital of a public company. In the case of a public company its share capital is a permanent liability, and in this respect is unlike the capital raised by a local authority, who are under a statutory obligation to repay the amounts borrowed within stipulated periods. The debt of a local authority is secured by a charge on the general rates and revenues of the local authority, and the security thus afforded reflects itself in the much lower rate of interest at which such capital may be borrowed when compared with capital raised by industrial concerns.

BURDEN OF LOCAL DEBT.

Much has been written in recent years relating to the burden of debt of local authorities, and there appears to be some misunderstanding on this matter. When considering municipal debt it is most important that the nature of the purpose for which the debt has been created should receive careful consideration. If the debt has been incurred to provide services which are directly reproductive or enhance the amenities of the town, its capital, and therefore its credit, is correspondingly increased. The views of the Minister of Health on this subject are worthy of consideration, and, again quoting from his Annual Report for 1929-30 :—

"It is desirable to refer at the outset to the impression, which may exist in some quarters, that the mere existence of local debt is in itself a symptom of financial ill-health. Whilst that is true of money borrowed to replace a deficiency in the revenue needed for current expenditure, it is not true of money borrowed to finance capital expenditure on permanent works, and it is to the latter category that over 99½ per cent. of the total outstanding loan debt of local authorities belongs. For the great majority of local authorities borrowing for capital purposes has been necessary in order to avoid gross disproportion between the rates levied from year

to year; and justifiable on the equitable ground that future generations ought to bear their share in paying for the works, the use of which they enjoy.

"Both in this and other countries much thought has been given in recent years to devices for reducing the field of capital expenditure in which borrowing is unavoidable, and so protecting ratepayers from the burden of interest payments. These devices include the establishment of Reserve and Contingency Funds, and the like, and the framing of long-term programmes of scientifically spaced expenditure. Whilst this line of financial development has much to commend it, it seems probable that the financing of certain classes of work by loans will continue to be as it has been in the past, a normal and prominent feature of local government. The loan debt of a local authority is comparable with, though the parallel is not an exact one, the capital of a commercial undertaking.

"Although, as indicated above, the existence of debt is not in itself an unhealthy sign, it is clear that there must be, for every local authority, a point beyond which the accumulation of debt would imperil the financial stability of the authority. There are numerous factors which go to determine the position of this danger point, and in attempting to locate it for a particular district consideration has to be given to such matters as the financial commitments of the authority apart from those arising out of loan debt, the character and numbers of the population, the rateable value of the district and its economic prospects so far as these can be foreseen in the light of existing conditions. It is no less important to determine precisely what is the effect of the existing debt in the form of a charge upon the rates, and it is important to distinguish between those classes of indebtedness in which the full service of the loan falls as a charge upon the rates, and those in which that service is met, either in part or in full, by other means."

METHODS OF REPAYMENT OF DEBT.

Having dealt with the raising of money on loan, the question arises as to how and when it will be paid off. Every amount authorised to be borrowed has attached to it a condition that the amount borrowed must be repaid within a certain number of years. The period varies in accordance with the nature of the work and the general principles fixing the terms are :—

1. That the period of the loan should not exceed the period during which the works are likely to endure and be of use for the purpose which they are designed to serve.
2. That the ratepayers of the future should not be unduly burdened with local debt, and so rendered less able to discharge efficiently the obligations that are likely to come upon them in the future.

The present tendency of Parliament and the Minister of Health appears to be to shorten all loan periods.

The various methods of repayment of debt are :—

1. The fixed instalment of principal system whereby equal yearly or half-yearly instalments of principal are repaid to the lender throughout the period of the loan, together with interest on the decreasing balance of the loan. Under this method the annual charge to revenue decreases throughout the period of the loan.
2. Annuity system whereby equal yearly or half-yearly payments of principal and interest combined are paid to the lender throughout the period of the loan. By this method the instalment increases and the interest decreases with each payment, but the annual charge to revenue is constant.

3. Sinking Fund system whereby a sum is set aside annually to provide for the repayment of the loan in full within the prescribed period. Such sinking funds may be either accumulative or non-accumulative.

PROVISION FOR REVENUE EXPENDITURE.

Up to now we have considered in very broad outline matters relating to capital expenditure, and I propose now to deal with revenue expenditure, or in other words, to consider how a local authority provides sufficient money to carry out its obligations on the maintenance and upkeep of the services provided.

The powers and duties of Rating Authorities in regard to the levying of rates are defined by Statute, and under the Local Government Act of 1933, a Rating Authority is given power to levy rates to meet all liabilities falling to be discharged by the Council for which provision is not otherwise made. Section 12 of the Rating and Valuation Act, 1925, has an important bearing on the duties of rating authorities when levying rates. The section reads as follows:—

"Every local authority shall make such rates or issue such precepts as will be sufficient to provide for such part of the total estimated expenditure to be incurred by the authority during the period in respect of which the rate is made or precept is issued as is to be met out of moneys raised by rates, including in that expenditure any sums payable to any other authority under precepts issued by that authority, together with such additional amount as is in the opinion of the authority required to cover expenditure previously incurred (whether within six months before the making of the rate or issue of the precept, as the case may be, or not), or to meet contingencies, or to defray any expenditure which may fall to be defrayed before the date on which the moneys to be received in respect of the next subsequent rate or precept will become available."

From the foregoing it will be observed that it is the duty of local authorities to levy a sufficient rate to cover their estimated expenditure, and power is given to provide for contingencies and a working balance.

FIXING OF LOCAL RATE.

It is upon the Finance Committee that the responsibility is invariably placed of recommending the Council to fix a rate to be levied during any particular financial year. This is a matter which is of such vital importance to the ratepayer that the actions of the Committee and the soundness or otherwise of its financial policy may attract criticism of every description. Whilst the Finance Committee is a Committee of the Council, it must stand between the claims of the various departments of the local authority requiring moneys from the rates and the ratepayer upon whom the burden must inevitably fall. The Committee must at all times satisfy itself that the money required to be raised by rate is essential and reasonable for carrying out the work entrusted to the local authority.

PREPARATION OF RATE ESTIMATES.

To enable the Council to levy a rate it is necessary to make an estimate of its expenditure for a period of six or twelve months, and it is very essential that this estimate is prepared upon a sound basis. The estimate covers the expenditure on the ordinary maintenance and upkeep of services as distinct from the provision of new undertakings and services, which, as previously stated, are generally financed out of loans and not from rates. To enable the Finance Committee to prepare its local budget it calls upon all Committees to submit detailed estimates of their

respective departmental income and expenditure. The Finance Committee carefully examines the detailed estimates of each Committee and makes recommendations if it thinks that certain items should be either included or excluded. After the Committees' estimates have all been scrutinised, a total figure is arrived at, and after deducting any income due to the local authority the deficiency represents the amount which is to be raised by local rate. The amount of any rate is within the discretion of the rating authority, provided, of course, that the expenditure to be met out of rate is authorised by Statute. It appears to be also within the discretion of the rating authority as to the amount to be included in the rates for contingencies and working balance.

EXCHEQUER GRANTS TOWARDS LOCAL RATES.

It is not generally recognised how much the taxpayer contributes towards the cost of local government through the medium of Exchequer Grants in aid of local rates, but some idea of the position may be gained when it is considered that Exchequer Grants rose from £23.2 millions in 1914-15 to no less than £120 millions in 1932-33. Exchequer Grants are made in respect of administration of services relating to Education, Police, Highways, Housing, etc. These grants have the object of assisting local authorities in their administration of services of a national or semi-national character, where experience has shown that such services are best administered by local authorities with a certain measure of Government control. Exchequer Grants have the effect of equalising the burden of expenditure between one district and another, and aim at securing a national standard of efficiency which is calculated to raise the level of the services as a whole. It is contended in some quarters that Imperial subventions in aid of local taxation are inclined to lead to extravagance, but economical administration of such services is ensured by means of audit of accounts, return of expenditure and inspection of services. In passing it may be mentioned that the basis of any Imperial Grant should be such that it is adapted in its working to the need of the local area. From the foregoing it will be appreciated that the amount of local expenditure is not provided for solely by the local ratepayer, and the following statement illustrates the extent of local government expenditure in England and Wales, and how such expenditure is financed. The figures relate to the income and expenditure on revenue account for rate fund services in respect of the financial year 1932-33.

	£
The total expenditure on Maintenance of Services was	317,970,653
Transfers to meet deficiencies on Trading Accounts amounted to	2,853,221
Total Revenue Expenditure	320,823,874
Increase in Balances	243,141
	£321,067,015
The expenditure was met as follows:—	
Public Rates	146,293,546
Transfers from Trading Accounts and Special Funds in aid of Rates	1,853,248
Government Grants	119,908,705
Fees, rents, and other specific income	53,011,516
Total Income on Revenue Account	£321,067,015

The ratepayer contributed 46 per cent. of the total income and 37 per cent. was provided by the taxpayer, and other specific income accounted for 17 per cent. Another interesting feature of the above figures is the amount

included in the expenditure in respect of loan charges, *i.e.*, provision for redemption of debt and interest on borrowed money. The proportion of loan charges to the total expenditure was 19.3 per cent., and this figure is not surprising when it is recognised that the net outstanding loan debt of the local authorities at March 31st, 1933, was £851 millions.

LIABILITY FOR RATES.

Rates are a form of taxation levied by local authorities under a statutory authority for more or less local purposes. In the absence of an agreement to the contrary they are paid by, and are a liability of, the tenant. Unless there has been some special arrangement rates are assessed upon the occupier, and on a basis known as the rateable value of the property. Rateable value means the annual value of the property after deducting allowances for the cost of repairs, insurance and other expenses. The criterion of rateability is beneficial occupation. By beneficial occupation is meant such an occupation which is of value to the occupier, *i.e.*, an occupation from which the occupier derives either a pecuniary profit or some personal advantage or convenience, and for which a tenant will pay a rent over and above the average cost of repairs, insurance, &c. Rates are not a tax upon profits or income, but on the value of the occupation itself to the occupier. This feature of the test of liability for rates is better appreciated when it is considered that in the majority of cases the occupation of dwelling-houses is a pecuniary loss to the occupier, but in all probability a profit to the owner, and that it is the occupier and not the owner who is rated.

BURDEN OF RATES ON INDUSTRY.

In recent years we have heard a great deal about the burden of rates and taxes on industry. A couple of years ago the National Association of Local Government Officers asked Mr. E. C. Fairchild, Ph.D., D.Lit., to investigate the question of "Do Rates Hamper Industry?" His investigation revealed some very interesting facts. He referred to the de-rating provisions of the Local Government Act, 1929, and showed that the manufacturers of England and Wales obtained substantial relief in the matter of rate reduction. In fact, the rest of the community grant a subsidy to industry. Mr. Fairchild cited the case of a Lancashire mill which employed 200 persons in weaving butter-muslin cloth. On September 30th, 1929, the premises were assessed at £701. Local rates were then 12s. in the £, and the sum required by the rating authority amounted to £420 12s. Consequent upon the Local Government Act, 1929, the rateable value was reduced to £175, thereby reducing the amount payable in rates to £105. Therefore, the item for rates was reduced by one-fourth. During the year following the introduction of de-rating ten million yards of muslin cloth were produced, and the manufacturer received £72,684, or 1.74416d. per yard for his production. The rates paid represented a percentage of 0.1444 on the selling price of the cloth; and the amount of rates paid per yard of cloth produced was 0.00252d., which is equal to one-third of a penny on the value of each twenty shillings worth of cloth produced. The wage roll of this firm recorded the payment of £25,000 annually, and the percentage of rates to wages was 0.42. Mr. Fairchild added:—

"It is difficult to believe that so small a charge is a grave impediment to remunerative marketing."

It is true that some trades receive more help than others from public sources as under the Local Government Act of 1929 some firms have the benefit of de-rating, whilst others do not enjoy this benefit, but at the same time it would appear that the rate-charge forms an unimportant item in the cost of production of the manufacturer.

It is interesting in this connection to examine the position as regards taxes. We have seen that rates are undoubtedly a charge against the cost of production, but not so with taxes which are really an appropriation of profit. With rates there is a liability for payment irrespective of the financial results of the undertaking, but in the case of income tax there is no liability unless there is a profit calculated in accordance with the Income Tax Rules.

CAUSES OF RATE DIFFERENCES IN VARIOUS TOWNS.

The rates levied in different towns are often compared by members of the public, and generally to the detriment of the town where the highest rate is levied. This is an unfair method of comparing the rate burden owing to the difference in the standard of assessment, &c., and a far more satisfactory method is to compare the rates paid per head of population. The causes of rate differences in various towns have engaged the attention of the Ministry of Health, and the following extract is taken from one of the Ministry's reports:—

"Many factors operate to produce diversity in the amount per £ of the rates levied in the several rating areas. In some areas the services charged on the local rates are more numerous and more fully developed than in others. Amongst areas at the same stage of civic development the rate poundage is generally lowest in those in which the amount of rateable value per head of population is highest, but this generalisation is subject to exceptions traceable ultimately to, *e.g.*, peculiarities of site, soil, climate or boundaries; the character and circumstances of the local industries, including rates of wages; diversity in regard to the amounts available in reduction of rates from non-rate sources (Government grants, rents of corporate property, &c.); profits or losses arising from municipal trading; local custom; and the efficiency or otherwise of the local administration during—it may be—a long period of years."

TRADING PROFITS IN AID OF RATES.

In the above quotation reference is made to profits or losses arising from municipal trading, and this focuses attention on an old question which despite the passing of years is still as interesting as ever. The question is: "Should a local authority transfer profits from their trading undertakings in aid of rates?" This is a matter of policy upon which local authorities are not agreed, and you will find that in some towns contributions are made in relief of rates, whilst in others any profits are retained within the undertaking. The merits and demerits of the policy are worthy of consideration. The following arguments are generally advanced in support of the practice of applying profits of trading undertakings to relief of local rates:—

- (a) The capital moneys required for the undertakings are borrowed on the basic securities of the rates, and therefore the credit of the local authority is pledged in addition to the revenues of the undertaking.
- (b) As a result of the security offered, local authorities are in a position to finance their trading undertakings at a lower rate of interest than that at which public utility companies would be able to borrow for similar undertakings.
- (c) Any losses incurred on the trading undertaking must be borne by the rates unless subsequently recouped out of profits.

It is claimed that the rate-payers are entitled to some reward for the liability they have undertaken in respect of the security of the debt, preferential rate of borrowing and the contingent liability in respect of losses.

On the other hand, the following views are submitted in favour of retaining the profits in the undertaking with the object of reducing charges to consumers :—

- (a) It should be the primary intention of municipal trading undertakings to supply a cheap service, and any profit should be used in reducing charges to consumers.
- (b) The principle underlying the administration of Municipal Trading Undertakings should be one of "cost and service," *i.e.*, an efficient service on a self-supporting basis.
- (c) The consumers and the ratepayers are not identical bodies, and therefore must receive separate consideration.
- (d) By transferring trading profits in aid of rates the full burden of rate services is not charged upon the rates, and the ratepayer therefore does not know clearly what are his obligations in respect of local expenditure. In other words, it is claimed that the policy might have the effect of obscuring the real position as to the expenditure which is being defrayed out of rates.

The tendency of Parliament in recent years has been to discourage trading profits and to safeguard the interest of consumers as distinct from ratepayers by prescribing limitations on the amount which could be transferred in aid of rates. Their policy appears to be that municipal trading undertakings should be self-supporting, involving neither profit nor loss to the rates.

DISCOUNT FOR RATES.

The suggestion is often made by members of the public and people engaged in commercial circles that it would be to the advantage of a local authority if they allowed a discount for prompt payment of rates. The object, of course, in granting a discount is to induce ratepayers to make prompt payment, so that the rating authority can secure bank interest on credit balances, or save bank charges on debit balances. Further, it enables savings to be effected on certain administration expenses, *e.g.*, the expense of making repeated demands to ratepayers who neglect to pay their rates, and the system enables the rating authority to reduce its working balance. It is also claimed that a discount scheme is a more popular method of collection of rates than police court proceedings.

On the other hand, it is contended that a discount places an unfair burden on the poor ratepayer by benefiting the well-to-do, or in other words, the ratepayer who is in the happy position of being able to meet the rate demand promptly secures an advantage at the expense of the ratepayer who is in straitened circumstances and unable to pay his rates within the discount period.

It does not appear to be appreciated that the effect of granting a discount is to increase the total requirements of the rating authority by the amount which will be handed back to the ratepayers as discount. It follows, therefore, that a higher rate in the £ must be levied to meet this increased total.

The granting of a discount might give the impression that rates are payable in arrear, whereas in fact they are due on demand, and may be recovered by legal process after seven days from demand. There are also some administrative inconveniences caused by discount arrangements, as the collecting staff may be subject to abnormal peak loads of work at discount dates.

It is within the power of any rating authority, if it thinks fit, to grant a discount not exceeding 2½ per cent. for prompt payment of rates, but it would appear that the majority of rating authorities have not thought fit to

adopt such a system. There is no doubt that a lot can be said either for or against its adoption, and the matter is one where there is considerable difference of opinion. The particular circumstances of each rating authority must be a determining factor in deciding its adoption or otherwise, because what may be an advantage to one local authority may be a disadvantage to another.

CONCLUSION.

There are many other matters which might be referred to, but the foregoing will probably be considered quite sufficient for the scope of one paper and at the same time provide a starting point for discussion. Throughout the writing of this paper I have endeavoured to keep before me the fact that it was to be submitted to professional accountants and secretaries, the majority of whom may have little or no opportunity of gaining a specialised practical knowledge in municipal finance.

I have attempted to explain some of the fundamental principles affecting the subject without dwelling too much on technicalities, and you will appreciate that it is somewhat difficult to deal with such an extensive and complex matter without becoming too elementary or too advanced.

I want to make it quite clear that this paper does not purport to introduce to you any new or original ideas, but simply sets out a few of the basic principles affecting the subject in which you are interested both professionally and as citizens. It is hoped that in the paper there is sufficient material to stimulate your interest and assist you to obtain a clearer knowledge of this phase of local government administration.

I need scarcely remind you that the year 1935 marks the centenary of local government in its modern form, for in 1835 the Municipal Corporation's Act became law, and it is from this time that we have had local government by elected representatives. During the last hundred years local government has advanced to such a marked degree that it now plays a most important part in the social and economic life of the nation, and is one of our greatest heritages.

It is also very evident that a greater interest is being taken to-day by the public in local government affairs generally, because the people have been educated to realise what an important part local government plays in their daily life. It is, therefore, safe to say that, in the future, there will be a greater demand from a more enlightened public for the extension and development of our social amenities.

The underlying principle of our local government system is admirably expressed in the words of a Royal Commission which met in 1869, and forms a fitting conclusion to my paper :—

"The principle of local self-government has become generally recognised as the essence of our national vigour. Local administration under central superintendence is the distinguishing feature of our government. The theory is that all that can should be done by the local authority, and that public expenditure should be chiefly controlled by those who contribute to it. Whatever concerns the whole nation must be dealt with nationally, while whatever concerns only a district must be dealt with by the district."

Municipal Elections.

Mr. J. R. Atkins, F.S.A.A., has been elected a Member of the Council of the Borough of Macclesfield.

Mr. D. Craig, F.S.A.A., has been re-elected as Councillor for the Crookesmoor Ward of Sheffield.

District Societies of Incorporated Accountants.

BELFAST.

Syllabus of Lectures, 1935-36.

1935.	
Sept. 30th.	Luncheon in the Carlton Restaurant at 1 p.m. Address by Mr. D. L. Clarke, Chairman of N.I. Transport Board.
Oct. 14th.	Students' Meeting. Social Evening.
Oct. 28th.	Luncheon in the Carlton Restaurant at 1 p.m. Address by Mr. D. H. Alexander, M.Sc., Principal, College of Technology.
Nov. 13th.	Students' Meeting. "Partnership Law and Accounts," by Mr. H. McMillan, A.S.A.A.
Dec. 2nd.	Luncheon in the Carlton Restaurant at 1 p.m. Annual Dinner in Grand Hotel at 7 p.m.
1936.	
Jan. 6th.	Students' Meeting. "Insolvency," by Mr. J. S. Lewis, A.S.A.A.
Jan. 27th.	Luncheon in the Carlton Restaurant at 1 p.m.
Jan. 31st.	Annual Dance, Carlton.
Feb. 12th.	Students' Meeting. "Double Taxation," by Mr. W. H. Palmer.
Feb. 24th.	Luncheon in the Carlton Restaurant at 1 p.m.
Mar. 13th.	Students' Meeting. "Estate Duty," by Mr. A. H. Elliot, LL.B.
Mar. 30th.	Luncheon in the Carlton Restaurant at 1 p.m.

Meetings are held in the Society's Rooms, Coates' Buildings, Castle Street, Belfast, at 7.30 p.m., unless otherwise indicated.

EAST ANGLIA.

Annual Report.

The Committee have pleasure in presenting their report for the year ended March 31st, 1935.

The President, Mr. H. P. Gowen, J.P., has continued to devote a considerable amount of time and energy to the affairs of the District Society. Mr. Gowen retires from office, and the Committee desire to place on record their appreciation of his interest in the affairs of the District Society since its foundation.

MEMBERSHIP.

The membership of the District Society is as follows:—

	Fellows.	Associates.	Total.
In practice ..	17	18	35
Not in practice ..	1	52	53
	18	70	88
Students ..			44
Total ..			132

LECTURES.

The following Lectures and Meetings were held during the 1934-35 session:—

Tour of the Works of Howlett & White, Ltd., Norwich. Lecture, "Shoe Costing," by Mr. E. A. Parker, Works Director.

"Fire and Workmen's Compensation Insurance," by Mr. C. G. Harbord, Assistant Manager, Norwich Union Fire Insurance Society's King Street Branch; and Mr. R. P. Rowe, Accident Claims Superintendent of the Surrey Street Branch.

Annual Dinner.

Tour of the Brewery of Steward & Patten, Ltd., Norwich. Address by Colonel A. F. Morse, Director.

Mock Creditors' Meeting.

"The Law of Partnership," by Mr. E. Westby Nunn, B.A., LL.B.

"Suretyship and Guarantees," by Mr. C. A. Sales, LL.B., F.S.A.A.

The Committee desire to place on record a very cordial expression of thanks to those gentlemen who gratuitously gave lectures during the Session.

EXAMINATIONS.

The Committee desire to congratulate the Students who were successful at the May and November examinations of the Parent Society in 1934. Four passed the Final and nine the Intermediate.

DISTRICT SOCIETIES' CONFERENCE.

The President and Secretary attended the Conference of the representatives of District Societies, held in London in May, 1934, at which matters pertaining to the regulation of District Societies and of professional interest were discussed.

LIBRARY.

The Committee desire to acknowledge a special grant from the Parent Society towards the cost of furnishing and equipping the Library. The works included in the Library are up to date, and cover the whole sphere of the present day Incorporated Accountants' activities. Members are invited to make greater use of the facilities provided.

ANNUAL DINNER.

The annual dinner, at which Mr. H. P. Gowen presided, was held on November 23rd, and was attended by seventy members and their guests. Among the official guests were:—The Lord Mayor of Norwich (Mr. P. W. Jewson), the Sheriff of Norwich (Mr. W. E. Walker), and Mr. E. Cassleton Elliott, President, Society of Incorporated Accountants and Auditors.

LIVERPOOL.

A Members' Dinner was held at Chester on October 24th, following a Lecture on "Income Tax Claims," by Mr. Charles Tunnington, F.S.A.A. Major E. S. Goulding, O.B.E., President of the District Society, was in the chair, and the guests included the Deputy Mayor of Chester (Councillor Charles Sconce), the Town Clerk (Mr. G. H. Dickson), Mr. C. W. Baty, M.A. (Headmaster, King's School), Mr. F. L. Bland (Past President of the Institute of Bankers and Director of Barclay's Bank), Mr. K. W. Hoyland (Collector of Taxes), Mr. Charles Jones (President, Chester Chamber of Trade), Mr. Richardson Peele, M.A. (City Director of Education), Mr. F. F. Potter, M.A., B.Sc. (County Director of Education), Mr. C. Reynolds and Mr. G. A. Samuel (Chairman and Secretary, Institute of Bankers, Chester Branch), Mr. J. M. Smith (Inspector of Taxes), and Mr. J. K. Wilkins, M.A. (Headmaster, City and County School).

By invitation of the Liverpool District Society, members of the Birmingham District Society visited Liverpool on October 29th. The programme commenced with a visit to the Cathedral, where the members were received by the Dean, Dr. Dwelly, who conducted the party over the Cathedral and Lady Chapel. The party then travelled through the Mersey Tunnel to Port Sunlight for an inspection of the works and offices of Messrs. Lever Brothers, under the guidance of Mr. S. Hamilton Price, A.S.A.A., Office and Staff Controller. After a short visit to the Lady Lever Art Gallery tea was taken by invitation of the directors of Messrs. Lever Bros., Limited. The party then returned to Liverpool for an inspection of the Town Hall, by kind invitation of the Lord Mayor

(Alderman F. T. Richardson, J.P.). The visit concluded with an informal dinner at the Constitutional Club, the members of the Birmingham Society being the guests of the Liverpool Society. The toast of "Our Guests" was proposed by the President of the Liverpool Society (Major E. S. Goulding), the response being made by Mr. Arthur W. Watson (President of the Birmingham Society).

MANCHESTER.

The lecture under date October 25th, 1935, which appeared in the syllabus published in our October issue, has now been changed, and the following will take its place:—

"Legal Problems Affecting Partnerships," by Mr. R. F. Cartwright, LL.B., Solicitor.

The following additional particulars are also supplied:—

The lecture on December 13th on "Social Credit from the Accountancy Point of View" will be given by Mr. A. L. Gibson, F.C.A., Sheffield.

The lecture on January 24th on "The Audit of Municipal Accounts" will be given by Mr. John Tipping, A.S.A.A., Borough Treasurer's Department, Wallasey.

SHEFFIELD.

Syllabus of Lectures, 1935-36.

The following meetings are additional to those published in our October issue:

1935.

Nov. 8th. "Some Recent Impressions of the United States of America," by Mr. W. J. Hinton, Institute of Bankers.

Dec. 13th. Students' Dance at Brincliffe Hall.

1936.

Feb. 5th. "The Management of Working Capital," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

Mar. 4th. "Fixed Trusts" by A. E. Kavanagh F.C.A.

Mar. 11th. "The Rights and Duties of Liquidators and Trustees," by Mr. F. J. Kershaw, LL.M., Solicitor.

Meetings are held in the Reform Club, Church Street, Sheffield, at 6.30 p.m., unless otherwise indicated.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF STUDENTS' SECTION.)

A "Topic" meeting was held on November 14th, Mr. R. R. Davies, A.S.A.A., in the chair.

Six questions submitted by members were circulated beforehand, arrangements having been made for individual members to open the discussion on each question. The meeting proved highly successful, and the experiment of holding a meeting of this nature was fully justified.

Accountants' Dispatch Case.

Messrs. Gee & Co. (Publishers), Ltd., have produced a useful dispatch case, suitable for principals or staff. It is made in solid flexible calf, either black or tan, and is closed by a flap, fastened with two substantial locks. The locks are superior to those frequently found on dispatch cases and are fitted with safety catches to prevent the flap springing open. The inside consists of three divisions, the middle division being fitted with an extra pocket for stationery and cards, and on the outside of the case is a pocket for non-confidential papers. The case is made in three styles, at 30s., 27s. 6d. and 25s., and holds foolscap papers comfortably.

Scottish Notes.

[FROM OUR CORRESPONDENT.]

November Examinations.

The examinations for Scottish candidates were held in the Glasgow and West of Scotland Commercial College, Glasgow. The supervision was in charge of Mr. James Paterson, member of Council, assisted by Mr. J. Hawthorne Paterson, F.S.A.A. During the examinations, the Examination Hall was visited by Mr. R. T. Dunlop, Mr. W. Davidson Hall and Mr. William Houston, members of the Scottish Council.

Companies Act Offences.

It is surprising how many people take office in connection with limited companies without experience or the least understanding of the responsibilities attaching to their office.

A few weeks ago an Edinburgh man was fined £10 for, being sole director of a company, failing to make returns to the Registrar of Joint Stock Companies. His excuse, pleaded through an agent, was that he was in complete ignorance of the responsibilities imposed on him under the Act.

In a case heard at Paisley on 19th ult., a liquidator of a company was fined £10, with the alternative of 60 days imprisonment, for having failed to make returns in the liquidation to the Registrar. The excuse in this case was that the liquidator had been engaged in a cattle dealer's office and had subsequently been a traveller. He had been worried by other charges arising from a similar offence, and two sets of motoring accidents.

Glasgow Students' Society and Golf Club.

A joint meeting of the Glasgow Incorporated Accountants' Students' Society and Golf Club was held in the Scottish Constitutional Club on Friday, the 8th ult. Mr. R. T. Dunlop (President of the Scottish Branch) presided over a large attendance, and was supported by Mr. W. Davidson Hall (President of the Students' Society), Mr. J. Stewart Seggie, Mr. P. G. S. Ritchie, Mr. E. Mortimer Brodie, and Mr. James Paterson (Secretary of the Scottish Branch).

In the course of an address, Mr. Dunlop referred to the advantages of recreation, such as these meetings for golf competitions provided, as a relaxation from more strenuous office duties and studies in preparing for the examinations. He thought that the meeting of members together for discussion and mutual assistance in their studies should be extended, and he hoped the Committee of the Students' Society would endeavour to do so in the coming session.

The Dunlop Cup for the best golfer of the season was presented to Mr. James W. Wishart, A.S.A.A., of the office of Messrs. W. H. Jack & Co., Incorporated Accountants, Glasgow. The second prize was presented to Mr. James C. McMurray, F.S.A.A., Kilmarnock.

During the evening Mr. J. Stewart Seggie, Mr. P. G. S. Ritchie, Mr. Alfred Palmer, Mr. E. H. Harris, and others present took part in a general discussion on various aspects of the Society's work.

At the close cordial votes of thanks were accorded to Mr. Dunlop and Mr. Davidson Hall for their interest in the Students' Society and Golf Club.

Edinburgh University Commerce Laboratory.

This unique university development was formally opened on October 23rd last. Mr. John Stirling, B.L., B.Com., Incorporated Accountant, Edinburgh, represented the Scottish Branch of the Society at the request of the Scottish Council. The laboratory, which is the gift of Mr. J. Albert Thomson, Edinburgh, is known as the "Jane Findlay Thomson Commerce Laboratory."

The chair was taken by Sir Thomas Holland (Principal of the University), and Professor Oliver, who formally

opened the laboratory, described it as a development which would allow theoretical teaching to be supplemented by practical demonstration. He described the initial stages of higher commercial education at the University just after the War, beginning with the founding of the Chair of Accounting and Organisation of Industry and Commerce on which, combined with other appropriate subjects in the University curriculum, the new B.Com. degree was founded. The curriculum had recently been subjected to a very close investigation and had been remodelled and extended. Great changes had taken place in business technique, particularly with regard to finance and accounting, which had ousted the old "inkpot" methods. The new laboratory with its up-to-date equipment of modern machines would enable adequate training to be given in this new technique.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; Pres. President of Probate, Divorce and Admiralty.]

COMPANY LAW.

In re MacIver's Settlement.

Arrears of Preference Dividend.

Under a scheme which was approved by the shareholders and subsequently sanctioned by the Court, the preference shareholders of a company waived their conditional right to arrears of dividend in consideration of their receiving in place of such dividend ordinary shares in the company provided by the ordinary shareholders, who gave up two-thirds of their holdings for the purpose. The trustees of a settlement comprising a block of preference shares had received a number of such ordinary shares, and they took out a summons to determine whether those shares ought to be treated as capital or income or ought to be apportioned in any way between capital and income.

It was held that the shares were to be treated as income and belonging to the person who would have been entitled to the arrears of preference dividend had the arrears been paid.

(Ch.; (1935) 52 T.L.R., 25.)

EXECUTORSHIP LAW AND TRUSTS.

In re Sandiford.

Barrister's Fees.

Clauson, J., held that a barrister cannot claim, in the administration of the estate of a deceased solicitor who

has died insolvent, in respect of counsel's fees paid to the solicitor by the client and retained by the solicitor.

(Ch.; (1935) L.J.N., 257.)

Lowthorpe-Lutwidge v. Lowthorpe-Lutwidge.

Revocation of Appointment.

Although a general revocatory clause in a will does not necessarily revoke an earlier testamentary exercise of a power of appointment it requires cogent evidence to show that that effect is entirely unreasonable otherwise a revocation of the appointment will result.

INSOLVENCY.

In re a Debtor (No. 11 of 1935).

Deed of Assignment.

The Divisional Court held that a creditor who does not execute a deed of assignment as assenting thereto may nevertheless by his conduct preclude himself from relying on the execution of the deed as an act of bankruptcy.

(Ch.; (1935) L.J.N., 324.)

In re a Debtor (No. 24 of 1935).

Judgment Against a Firm.

The Divisional Court held that a bankruptcy notice, addressed to a firm and served only on one of the partners in the firm at a place other than the principal place of business of the firm, is a good notice on the partner for the purpose of a receiving order being made against him.

(Ch.; (1935) L.J.N., 324.)

MISCELLANEOUS.

Jutson v. Barron.

Use of Titles.

The Divisional Court held that it is an infringement of the provisions of sect. 40 of the Medical Act, 1858, for a person not entitled to use the title of surgeon, to describe himself as a manipulative surgeon.

(K.B.; (1935), L.J.N., 308.)

REVENUE.

Scottish Flying Club v. Commissioners of Inland Revenue.

Charitable Purposes.

By sect. 37 of the Income Tax Act, 1918, exemption is to be granted from tax in respect of the income of any body of persons established for charitable purposes only.

A flying club, the principal object of which was to promote the pursuit of aviation and was open to the public, received Government grants. The question was whether the club was sufficiently educational and beneficial to the community to constitute it a charity.

It was held by the Court of Session that the club was not entitled to exemption as a body established for charitable purposes.

(C.S.; (1935) S.L.T., 534.)

Rex v. Income Tax Special Commissioners.

Withdrawal of Appeal Against Assessment.

When notice of appeal to the General or Special Commissioners against an assessment has been given under the Income Tax Act, 1918, by a taxpayer, that appeal cannot be withdrawn without the consent of the Commissioners, whose duty is not to act merely as an appellate tribunal in litigation between two private persons but to ascertain what the true assessment should be.

(K.B.; (1935) 52 T.L.R., 32.)